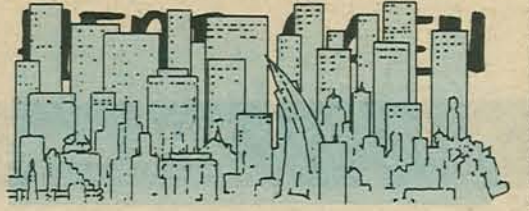


FREE

THIS ISSUE IN TWO SECTIONS

HERB CAEN

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THE SAN FRANCISCO
BayGuardian

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18TH ANNIVERSARY SPECIAL

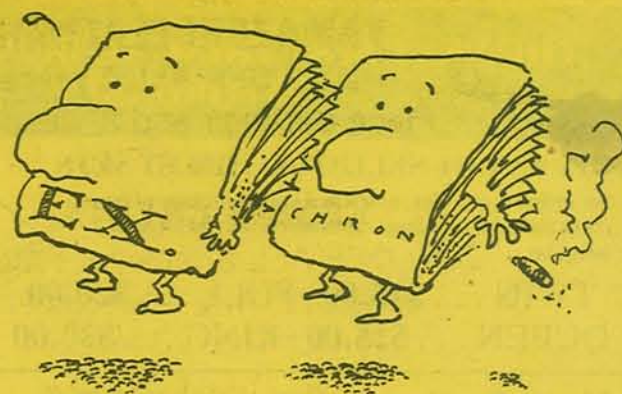
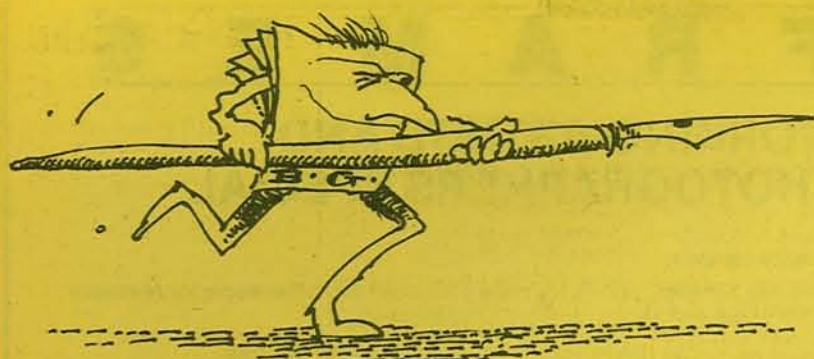
**UP AGAINST
THE MEDIA
MONOPOLY**

*An investigative
report on the
Examiner and
Chronicle*



GUARDIAN GRAPHIC BY TIM EAGAN

SINCE 1966. THE LARGEST CIRCULATION NEWSWEEKLY IN NORTHERN CALIFORNIA



18th ANNIVERSARY SPECIAL ISSUE

UP AGAINST THE MEDIA MONOPOLY

If the framers of the United States Constitution had known back in 1789 just how powerful the nation's mass media would become two centuries later, they probably would have been more specific when they wrote that "Congress...shall make no law abridging freedom of the press."

The framers made clear their belief that free speech — free and open discussion of ideas, in government, in the newspapers and on the streets — was a cornerstone of a democratic society. But back in 1789, people formed their political opinions from a far smaller range of information. They were as likely to know something from personal experience as from a written or printed account.

Today, the information we receive from print and electronic media far, far overwhelms our individual experience. We base our political, economic and even social decisions to a large extent on data that other people have already pre-sifted and pre-digested for us.

In 1984, the mass media exercise a staggering amount of influence and control over society. Think about it: What do you know about the current state of the world that you *didn't* learn from the media? And how can you decide how to vote in November if you aren't confident that your basic understanding of these facts is sound?

Had anyone foreseen this in 1789, the First Amendment might have contained language designed to ensure that control of the nation's media remained dispersed among a large number of people. For many of the newspaper editors and publishers who piously defend our right to a free press have been working overtime in the past half-century to consolidate their grip on an ever-larger percentage of the major media outlets. And that fact represents a threat to society of staggering proportions.

Our 18th anniversary issue is largely a tale of two

newspapers. The San Francisco Examiner and the Chronicle are among 46 newspapers in 23 cities that have used a special act of Congress to merge operations, form a powerful daily newspaper monopoly and keep competing voices out of a major American city. As we detail in the issue, the effects of that monopoly are far-reaching.

Put simply, the two papers have used their market control and price-fixing abilities to take more than \$150 million in profits out of the city in 19 years, at the same time as they have used their influence as the city's sole daily newspapers to promote political policies that increase the wealth of their owners and the power of their friends — to the detriment of the vast majority of the city's inhabitants. The Examiner and Chronicle monopoly is a perfect case study in the dangers of allowing control of the media to be concentrated in the hands of a few.

It is, if we may borrow a phrase, altogether fitting and proper that we should focus on the Ex/Chron in our anniversary special. The Bay Guardian was founded in 1966, the year after the Examiner-Chron-

icle merger agreement was signed, by a handful of journalists who saw the need to fight the trend toward newspaper homogeneity and to offer the community an alternative voice.

There have been many attempts to provide journalistic alternatives to the Ex/Chron. Many of them were noble and deserved to survive and even prosper. But a joint monopoly backed by several fortunes is hard to fight, and few survived.

The Bay Guardian *has* survived — for a long 18 years. Against all odds, defying the sea of red ink that ebbed and flowed from the bookkeeping offices, the Guardian has grown from an eight- and 12-page "occasionally published journal" to a 65,000-circulation weekly. It has even, in a halting, slightly nervous sort of way, begun to prosper.

We hope this issue will be both an inspiration and a model for others interested in learning about the power of the media. Certainly, if media concentration continues unchecked, the abuse of power can only get worse.

The problem may not have been envisioned back in 1789, but it was quite clear to Supreme Court Justice William O. Douglas in 1969. In a ruling ordering the divestiture of an illegal newspaper monopoly in Tucson, Arizona, Douglas, quoting the Supreme Court's famous 1945 Associated Press decision, wrote:

"Freedom to publish means freedom for all, and not for some. Freedom to publish is guaranteed by the constitution, but freedom to combine to keep others from publishing is not. Freedom of the press from governmental interference...does not sanction repression of that freedom by private interests."

Monopoly publishers of the world notwithstanding, we quite agree.

How we unmasked the San Francisco newspaper monopoly

The Bay Guardian's 18th anniversary issue was prepared by Charles Heimler, Michael Hoad, Trish Lee, Maud Lewis, Betsy Macdonald, Ellen McGarahan, Martin Pesaresi, Sam Quinones, Annie Weintraub and Todd Woody, along with editorial staffers Margaret Brooks, Bruce B. Brugmann, Bruce Dancis, David Goldsmith, Alan Kay, Tim Redmond and Peter Wilson.

Our investigation of the San Francisco Examiner and Chronicle, the wealthy, powerful people who run them and the special act of Congress that granted them a government-sanctioned monopoly in San Francisco involved dozens of interviews and an extensive four-month search through hundreds of public records.

The first thing we discovered was that nobody else appeared to have done this type of in-depth investigation of a major city newspaper. As far as we could tell, we were exploring virgin territory. Nor was it easy going — both the Examiner and Chronicle are published by family-owned corporations that release very little information about themselves to the public.

Newspapers don't have to make any public ownership statements, but TV stations do. Under Federal

Communications Commission regulations, KRON-TV, which is owned by Chronicle Publishing Company, has to make a public statement of ownership. That gave us a place to start. Our Baltimore correspondent made us a copy of the ownership statement for Hearst-owned WTAE-TV in that city.

From San Francisco archives in the public library, interviews and other sources, we established a family tree for the deYoung family, which owns the Chronicle. Lindsay Chaney's and Michael Cieply's book *The Hearsts* contains much biographical information on that family.

With this in hand, we began searching through probate records in San Francisco and San Mateo County courthouses. The probate filings provide extensive data about family wealth, including detailed inventories of exactly what each deceased family member owned at the time of death.

In the San Francisco assessor's office, we checked the land holdings under the name of every corporation and individual connected with either family or company.

A trip to the secretary of state's office in Sacramento yielded the original articles of incorporation and the current corporate officers for each corporation we found to be tied to the papers.

We made an extensive search through back issues of both papers on microfilm in the library and col-

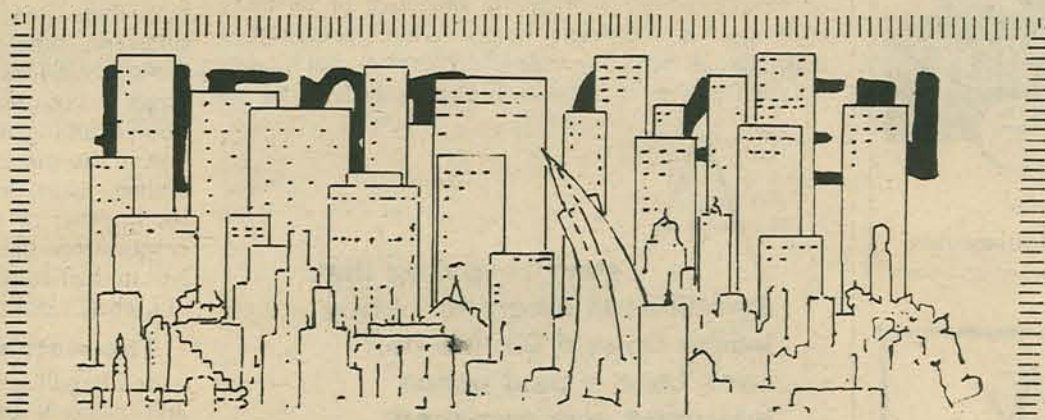
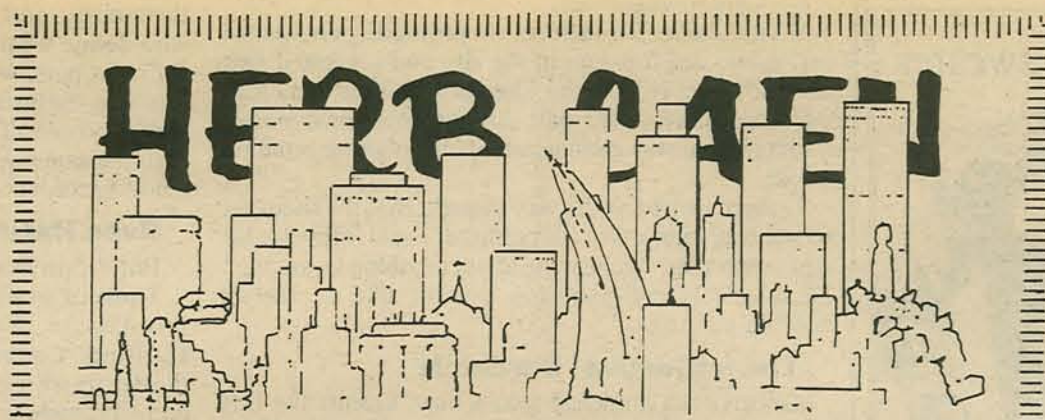
lected information from obituaries and articles on the sale of local firms with ties to the papers.

The trial records for the 1981 Pacific Sun/Berkeley Barb/Cadillac Associates antitrust suit against the Examiner and Chronicle are available in the office of the clerk of the U.S. District Court, at the Federal Building in San Francisco. The transcripts, pleadings and exhibits fill an entire wall of shelves in the clerk's office. They contain a massive amount of information on the finances of the two papers and the original terms of the merger.

The transcripts of the 1967, '68 and '70 hearings before the House and Senate antitrust subcommittees fill some seven bound volumes of government documents. They also contain a wealth of data on the two San Francisco papers, their merger agreement and the lobbying that led to the Newspaper Preservation Act of 1970.

Numerous back issues of the Bay Guardian were useful, as was Ben Bagdikian's book *The Media Monopoly* and his 1982 *San Francisco* magazine story, "The Chronicle Chronicles."

We are also indebted to Morton Mintz's and Jerry Cohen's 1971 book *America, Inc.*, especially the chapter on the nation's newspaper industry. It's appropriately titled, "See No Evil, Hear No Evil, Speak No Evil."



ALL THE NEWS WE SEE FIT TO PRINT

How Ex/Chron journalism keeps San Francisco safe for the Chamber of Commerce, the Pacific Union Club and PG&E

An executive at WCBS radio in New York sent a memo to his news staff in the spring of 1968 criticizing the station's delays in reporting the results of New York Yankees baseball games. In the memo, later leaked to the *Columbia Journalism Review*, the unnamed executive made his point quite bluntly: "If I have to spell it out for you, I will," he wrote, "CBS owns the New York Yankees."

The memo was a rare public admission of a fact many daily journalists have always denied: That the specific financial or political interests of a major media outlet could influence directly its presentation of the news.

Fifteen years later and 3,000 miles away, two daily newspapers have a monopoly grip on the city of San Francisco. The issues facing the city are a lot more important than the outcome of a baseball game — the day-to-day lives of the people of San Francisco are at stake. But the interests of those two papers and their immensely profitable,

government-sanctioned monopoly distort and control the daily news in ways that make the CBS-Yankees conflict-of-interest seem almost benevolent in comparison.

And yet, time after time, the editors and reporters at the two papers deny that any conflict exists. The San Francisco Chronicle and Examiner monopoly has become so entrenched that many seem to have forgotten just how powerful — and how dangerous — this one-business, two-newsroom operation has become.

In October 1983, a student at San Francisco State University asked the chief political reporter for the city's largest daily newspaper why nobody on his staff ever wrote an expose of how the major downtown business interests dominated city politics.

The reporter, Larry Liebert of the San Francisco Chronicle, was on a panel of local journalists participating in a class on San Francisco politics. Another panelist, a Bay Guardian reporter, had chastised the

continued next page

The Examiner/Chronicle and their joint agency monopoly — a chronology, 1932-1984.

1933: For many years, the Albuquerque (New Mexico) Tribune, a newspaper in the Scripps-Howard chain, and the Albuquerque Journal, owned by Thomas M. Pepperday, compete intensely in Albuquerque. Toward the end of the Depression, advertising revenues of the two newspapers decline for two consecutive years, according to an article in the May 15, 1954 edition of the newspaper trade publication, *Editor and Publisher* magazine.

The publishers decide it is imperative to cut production costs and increase profits.

On Dec. 12, Pepperday meets in Chicago with the general manager and general counsel of Scripps-Howard to work out a historic precedent-setting plan to merge the two heretofore

competing newspapers. Two weeks later, Pepperday and the two principal Scripps-Howard executives, Roy W. Howard and Robert P. Scripps, give final approval at a conference at the Scripps ranch at Miramar, San Diego County.

1933: At the Biltmore Hotel in Los Angeles in early 1933, Pepperday and William Hawkins, Scripps-Howard's general manager, formally sign a contract ratifying the merger.

The contract establishes a new corporation known as the Albuquerque Publishing Company to print the two papers in joint printing facilities and to handle jointly all advertising, selling and business functions. The new company, which is owned half by the Journal and half by the Tribune, theoretically has no authority over the editorial operations of either newspaper.

What isn't publicized is the key feature of the agreement. For the merger isn't just a simple agreement to print both newspapers in the same printing plant. It grants the two newspapers the monopoly power in Albuquerque to fix circulation and advertising rates, to divide up their profits equally and to agree not to compete with each other.

Thus, the first newspaper Joint Operating Agreement is born, with the price-fixing, profit-pooling, market-control features that the U.S. Supreme Court in 1960 declared illegal and per se violations of federal antitrust law in a parallel Tucson case.

1937: *Editor and Publisher* reports "one of the most unusual newspaper exchanges ever made."

E&P states that, "On July 1, 1937, Mr. Hearst folded an eve-

ning and Sunday paper in Rochester, N.Y., leaving the late Frank E. Gannett with morning-evening-Sunday single ownership there, and Mr. Gannett relinquished the morning and Sunday field in Albany, N.Y., while Mr. Hearst switched from evening to morning-Sunday."

The exchange gives Gannett a monopoly in its home base of Rochester, helping free the publisher to build what later becomes the nation's largest media conglomerate. Hearst gains a dominant position over Gannett in Albany.

Hearst buys out the evening Gannett paper in Albany in 1960, leaving Hearst as a morning-evening-Sunday monopoly. William J. Farson, executive vice-president of the American Newspaper Guild testifies in 1967 that the union considers this Hearst/Scripps-Howard

switch in 1937 may have inspired a similar arrangement to eliminate competition between Hearst and Scripps-Howard in Pittsburgh and San Francisco.

1940: On July 1st, the (Tucson) Arizona Daily Star and the Tucson Daily Citizen form the fourth JOA (after mergers in El Paso in 1936, Nashville, in 1937 and Evansville, Indiana in 1939).

"The purpose of the agreement was to end any business or commercial competition between the two papers and to that end three types of controls were imposed," writes Supreme Court Justice William O. Douglas in the 1969 decision affirming the JOA's antitrust violations.

"First was price fixing. The newspapers were sold and distributed by the circulation department of TNI [the newspapers' joint agency]; Tucson commercial advertising placed

in the papers was sold only by the advertising department of TNI; the subscription and advertising rates were set jointly.

"Second was profit pooling. All profits realized were pooled and distributed to the Star and Citizen by TNI pursuant to an agreed ration. Third was market control. It was agreed that neither the Star nor Citizen nor any of their stockholders, officers, and executives would engage in any other business in Pima County — the metropolitan area of Tucson — in conflict with the agreement. Thus, competing publishing operations were foreclosed.

"All commercial rivalry between the papers ceased. Combined profits before taxes rose from \$27,531 in 1940 to \$1,727,217 in 1964."

1945: The Arizona Star dem-
continued next page

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two local dailies for their role in promoting unchecked real estate development in the city and suggested that the publishers of both the Chronicle and the San Francisco Examiner were part of the downtown power structure that was getting rich off the highrise building boom.

Liebert scoffed at the very thought that the financial or political interests of his publisher could influence his news reporting. "I can write about anything I want to," he said. "If the publisher doesn't like it, there's nothing he can do."

The 'objective' Chronicle

Liebert then launched into a blast against the Bay Guardian, which, he said, was not a credible paper because it wasn't sufficiently objective in its news coverage. The Chronicle, he proclaimed, is careful to make sure its news coverage is unbiased — that it takes no sides in the city's political battles. But for all his



story revealing that Symbionese Liberation Army leader Donald Cinque had once been a paid police informant was censored, according to former Chronicle reporter Tim Findley, after Randolph Hearst phoned Chronicle Publisher Charles deYoung Thieriot and asked him to kill it.

rhetoric about "bias in the news," Liebert never really answered the student's question. Why doesn't the Chronicle tell its readers what goes on behind the polished facade at City Hall? Why does it miss some of the most blatant, obvious stories about conflicts of interest — Willie Brown's ties to Southern Pacific, for example?

Why does the paper ignore the direct correlation between downtown developers' campaign contributions and the hands-off approach to development embodied in the Downtown Plan? Why does the Examiner report with glee the unveiling of a new skyscraper proposal but virtually ignore a new campaign to limit downtown development?

Why does neither paper question the accuracy of the City Planning Department's Environmental Impact Reports? Why do they accept at face value the mayor's assessment of her own planning proposals? Why don't they challenge the claims of the campaign consultants PG&E hires to defeat public power campaigns?

The powers-that-be

In one sense, it's a complicated problem and it's not limited to San Francisco. Big city newspapers around the country ignore important stories about the local power structure — the invisible government hiding behind the public officials. Most of the time, editors and publishers defend their actions by saying that no newspaper can report more than a fraction of the news occurring in a given day, and that certain "judgments" must be made as to what is newsworthy and what isn't.

More often than not, however, the editors and publishers who make those news judgments are,

CHRONOLOGY

continued from previous page

onstrates the scale of profits that a rate-fixing, profit-pooling joint agency agreement can take out of a community. It submits 15 pages of papers in support of an application to the IRS to obtain relief from excess profit taxes for the World War II years (1941-45).

The Star argues that its huge profits in those years were wholly attributable not to the wartime boom but to its JOA with the Daily Citizen. The "new, non-competitive arrangement," the Star states, did "eliminate all competition" between the two papers.

When the papers were introduced in 1969 congressional hearings, they became known as "The Pig Papers," because of an

illustration using pigs at the trough (see graphic, page 33).

1955: George Cameron, the son-in-law of Chronicle founder Mike deYoung and the Chronicle's publisher for two decades, dies. Charles and Ferdinand Thieriot, deYoung's grandsons, take over the Chronicle and begin a campaign to overtake the dominant Examiner (then a rival morning newspaper). They have two options, analyzes press critic Ben Bagdikian in a 1982 *San Francisco* magazine article: "They could have appointed good editors in touch with contemporary society, given them plenty of money (millions for a big city paper) and plenty of time (multiples of five years) and placed their faith in the intelligence of the readers."

Instead, the Thieriot's go for their second option — to cut editorial costs and hire Scott

themselves, part of the power structure. The people who decide what news you will and won't see are, for the most part, wealthy, conservative people. They eat lunch in exclusive clubs with other wealthy, conservative people. They live in exclusive neighborhoods with the same wealthy, conservative people. And they tend to accept their friends' opinions as the norm.

Even Hartford?

But in San Francisco, the situation is especially bad. Those of us who have lived in places like New York, Los Angeles, Washington, D.C., Milwaukee, or even Hartford, Connecticut virtually all agree that, while the papers we used to read had problems, the Examiner and Chronicle are in another class altogether.

For all his protestations, Liebert never denied the basic facts cited in the student's challenge. It makes no difference whether the Chronicle publisher talks to Liebert, calls his editor, threatens the copy chief, rips pages out of the typesetter's hands or spends his afternoon drinking at the Pacific Union Club. The bottom line is the same: Neither the Chronicle nor the Examiner takes on major stories that could threaten the interests of the downtown developers and major corporations that control the directions of city policy. Not in their editorials, not in their front pages and not in Liebert's political column.

The watchdogs slumber

Ben Bagdikian, a UC Berkeley journalism professor and former Washington Post editor, summed it all up in his 1982 *San Francisco* magazine article, "The Chronicle Chronicles." His piece focused on the morning paper, but, in general, its conclusion also fits the evening Examiner.

The Chronicle, Bagdikian wrote, provides a decent (if not exemplary) assortment of national and international wire service stories — enough to keep its readers minimally aware of such news.

But, he went on, the Chron doesn't do what other major city dailies all over the country do. It doesn't take an active, watchdog role in covering local political institutions — politicians, boards and commissions, City Hall departments, major campaign financiers and special interest groups.

Sure, the paper covers the more important meetings of policy-making agencies and reports the high-priority announcements of top officials. But it seldom digs below the surface to expose the truth behind the politicking, to let the public understand how things really work.

'A moral obligation'

Bagdikian spoke with Frank McCulloch, executive editor of the McClatchy newspapers, which include the Sacramento Bee. McCulloch said he didn't worry about competition from the Chron on state news: "It does well on selection of national news. But the Chronicle just doesn't pursue things the way we do....It doesn't pursue anything consistently, the sort of thing that requires searches of records and unearthing things that take time and effort, that good papers regard as their First Amendment moral obligation."

The Examiner, as Bagdikian pointed out, is far more likely than the Chron to tell its readers how the Board of Education voted last night on an issue that will affect thousands of kids. But the Ex, like the Chron, fails to go after major local stories. It covers local elections and official decisions as single, isolated events, without giving readers any perspective on whose interests their elected leaders are serving or on how big money interests are changing the city over a period of months or years.

Newhall. Writes Bagdikian, "He had no faith in the readers' intelligence and did not take journalism seriously. Unfortunately, he had talent. He was the evil genius of fun and games."

"The family got rid of Paul Smith, the editor who had tried to make the Chronicle the 'New York Times of the West,' put serious news on the back burner, fired 37 editorial people and declared, 'Let the games begin.'" The Thieriot's also begin a rapid program of plant modernization.

1956: Ferdinand Thieriot dies in the fire on the *Andrea Doria*. Charles deYoung Thieriot is now the sole publisher and remains so until his death in 1977.

1957: In July, the Chronicle buys new high-speed presses and begins to gain on the Examiner in circulation.

1958: Hearst's International News Service merges with Scripps-Howard's United Press to form United Press International. The American Newspaper Guild asks the Department of Justice to investigate persistent rumors that the merger of the news services also included another agreement in which the two chains would eliminate competition in two markets along the line of the 1937 Hearst/Gannett deal.

Specifically, the rumors allege that Hearst will vacate Pittsburgh, where it is publishing the Sun-Telegraph, and Scripps-Howard will cease publication of its San Francisco News. The two chains deny the rumors. The Justice Department does nothing.

1959-62: In San Francisco, Hearst's Call-Bulletin and

It's not hard to demonstrate the basic political leanings of the two papers. That much is clear from their political endorsements. Since the year of the merger, the Examiner and Chronicle have differed on quite a few individual endorsements, but on major issues involving the city power structure, the editorial line has been virtually identical.

Four times — in 1971, '73, '79 and '83 — the two opposed initiatives controlling downtown development.

In 1973, '76 and '80, the Examiner and Chronicle both opposed district elections of supervisors.

In 1979, both opposed rent control.

In June 1980 and again in November 1980, both opposed initiatives requiring the city to increase taxes on big downtown corporations.

In 1982, both opposed the public power initiative.

Only once since the merger has a major candidate run for mayor on a platform clearly and distinctly aimed at

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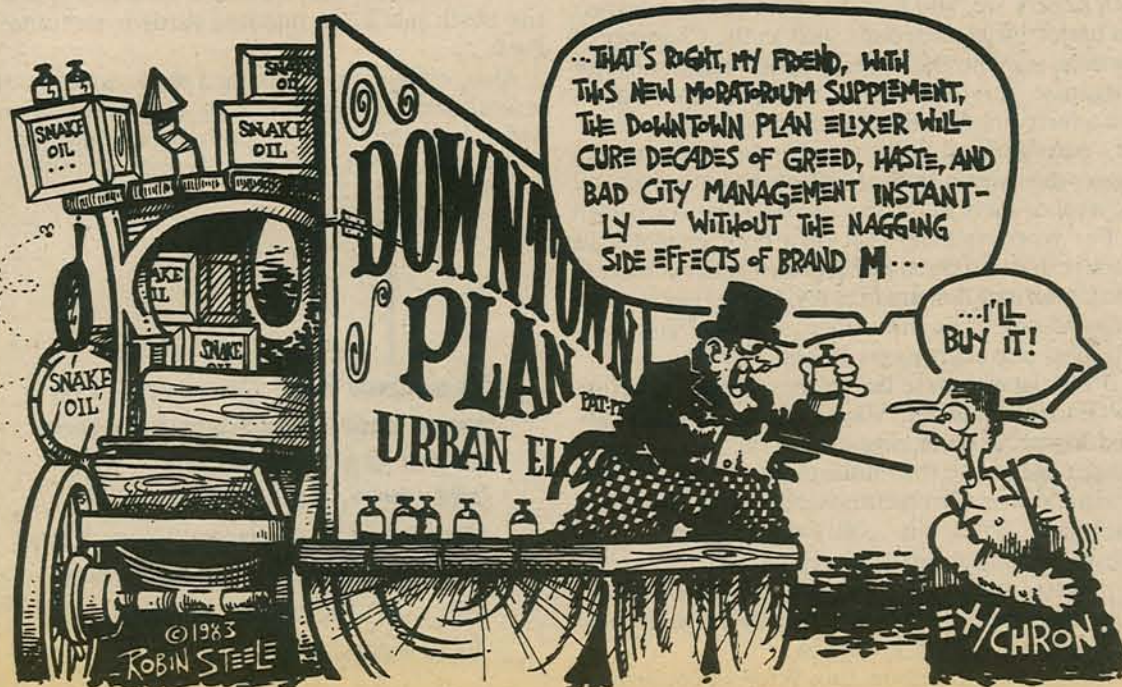
UP AGAINST THE MEDIA MONOPOLY

papers cover and, more importantly, through what they don't cover.

Let's take just one case in point — a blatant, undeniable demonstration of a news blackout that was both inexcusable editorially, and directly linked to the papers' own political and economic interests.

In 1982, a small group of public power advocates put a measure on the ballot that would have forced the city to study the feasibility of municipalizing the local electric utility, PG&E.

The arguments in favor of the measure, Proposition K, were powerful. In every Northern California city with public power, electric rates for consumers were much lower than in San Francisco. What's more, San Francisco already owned a hydropower system (Hetch Hetchy), and, by a special act of Congress, the



The Examiner and Chronicle's unquestioning acceptance of the City Hall/Chamber of Commerce line on the new Downtown Plan and Proposition M, the slow-growth initiative, spurred this 1983 cartoon by Bay Guardian artist Robin Steele.

controlling downtown development and preserving the neighborhoods. The year was 1975. The candidate was George Moscone. The Chronicle and Examiner both endorsed Dianne Feinstein.

In fact, after thoroughly examining both papers' endorsements since 1965, we couldn't find a single important power structure issue on which they were not unanimous in their support of downtown. (Another interesting factor in their endorsements: From 1965 to '82, both papers consistently endorsed Phil Burton for Congress, despite ideologically opposing many of his positions. Many informed sources suspect this may have been part of a bargain — a payoff made in exchange for Burton's vote, and speech in favor of the Newspaper Preservation Act.)

Political bias in the news

But the real point is that those leanings also manifest themselves in the news columns — through what the

city was required to bring that cheap power to its citizens. It had never done so.

The opposition was orchestrated entirely by PG&E. The utility alone poured some \$680,000 into defeating Prop. K, relying on what turned out to be patently false statements, in a massive public relations advertising campaign.

Both papers endorsed opposition to Prop. K. But more important, both refused to report on the campaign. Together, the Examiner and Chronicle published a total of less than 600 words on Proposition K, and neither paper challenged the PG&E arguments. Neither once mentioned that PG&E was the sum and substance of the No on K campaign.

The Ex/Chron's real estate

Why did that happen? Forget the papers' endorsements. Why did they ignore the Prop. K campaign? continued next page

Scripps-Howard's News are merged in 1959 into the News-Call-Bulletin. In 1969, Hearst sells its Sun-Telegraph and leaves Pittsburgh to a Scripps-Howard/Block JOA.

In 1962, Hearst becomes sole owner of the afternoon News-Call-Bulletin. Scripps-Howard leaves town and Hearst has a powerful morning and afternoon position.

• In the subsequent 1981 antitrust trial, Pacific Sun attorney Art Shartsis argues that the evidence is overwhelming that from the moment in 1962 when the Examiner had control over the market (by buying the News-Call-Bulletin) it went for a merger with the Chronicle, for supremacy profits with no risk or bother of competing.

• The Guild's William J. Farson testifies in 1967 about the paper's Justice Department request for

an investigation into Hearst/Scripps-Howard market sharing. "The Justice Department said they would look into it but they couldn't find any information that they could use. When the first one came about in Pittsburgh, we went back to them and they said, 'Well, now it is too late. How do you unscramble the eggs?' So we had to wait for the next egg breaking, and it was too late for unscrambling the eggs in San Francisco."

Farson also testifies he considered that the Pittsburgh/San Francisco switch was part of the UPI deal in 1958, but that the Guild's action and publicity helped postpone it for four years.

1960: The Chronicle overtakes the Examiner in weekday circulation. The Examiner, which for years has poured millions of dollars of profits into the Hearst

corporation and which had earned \$6.5 million in 1955-59 alone, shows a "financial loss" for the first time in years, according to the Examiner's own statement in the Pacific Sun antitrust suit in 1980 and 1981.

However, Hearst's detailed profit and loss statements and other financial data unearthed during the antitrust trials show that the Hearst Corporation in New York has been milking the Examiner and that much of the Examiner's losses were Hearst profits.

From 1954 to '64, the Examiner paid some \$5 million in unnecessary fees or overcharges to Hearst Corporation, according to the antitrust trial exhibits. For example, the Examiner was overcharged \$1.8 million in management assessments, \$1.6 million above market rates for national ad commissions and \$1.6 million

for an old-fashioned supplement, the *American Weekly*.

1961: In the early 1960s, General Electric, Westinghouse and 27 other manufacturers of heavy electrical equipment are indicted by a federal grand jury for price-fixing. Subsequently, they either plead guilty or no contest. Some company officials are jailed. Then, under provisions of the antitrust laws, private and public utilities bring thousands of suits for treble damages. Ultimately, these cases are settled for almost \$500 million.

1962: Charles Gould, the new Examiner publisher, writes a series of memos over the next few years to Hearst headquarters in New York. They are placed in the court record in the second Pacific Sun trial in 1981.

Time and again, Gould argues

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continued from previous page

paign as a news story? Why is that just one of the dozens of instances in which the papers refuse to provide even the type of routine coverage that other papers consider their "moral obligation"?

Liebert may not know the answer, but we've come up with a few good reasons.

First, as several articles in this issue of the Bay Guardian make clear, the two newspapers have a monopoly grip on the daily newspaper market. Thanks to a special act of Congress, the Newspaper Preservation Act of 1970, they operate as a single business — and it's the only game in town. Most important, the two papers split profits from both operations right down the middle. So, on strict economic terms, there is no reason whatsoever for the two to compete (see "The economics of monopoly journalism," page 17).

The Examiner and Chronicle are also inextricably connected to the downtown business establishment. The connections occur on almost every possible social, economic and political level.

Both papers are, and have been for years, members of the major business groups such as the Chamber of Commerce and the Bay Area Council that lobby for and organize pro-downtown campaigns. Both papers rely on advertising from major downtown industries — stores, corporations, utilities and the like. As big businesses themselves, both are affected by city taxes and by the level of services the city provides the downtown area. For years, families that own both papers have been active in social clubs and organizations such as the Pacific Union and Bohemian clubs, where they interact on a day-to-day basis with other powerful San Francisco leaders (see chart pages 18 and 19).

As if the papers' close ties to the political structure weren't enough, this year Mayor Dianne Feinstein appointed Joseph Barletta, president of the jointly owned newspaper agency, to the Public Utilities Commission. The Examiner and Chronicle now have their own direct representative on a city policy-making body that, among other things, oversees the Hetch Hetchy Department of Water and Power, and so administers PG&E's ongoing multi-million-dollar yearly scandal in keeping public power out of San Francisco.

But there's another reason, too. What we confirmed, after a lengthy investigation into the workings of the Ex/Chron combine, is that the owners of the two papers are more than just friendly allies of the big real estate interests, developers and downtown corporations in the city. The fact is, the Examiner, the Chronicle and the families that own them are themselves among the biggest landowners in San Francisco. Also, Chronicle family members are heavy investors in several of the biggest downtown firms — PG&E, Crocker Bank and Transamerica among others — that are reaping huge profits from the Manhattanization of San Francisco.

Yerba Buena benefits

It's no secret that the Examiner and Chronicle own some prime land in the city. The Bay Guardian pointed that out in 1970 in a series on the Yerba Buena Redevelopment Project. The two papers, both gung-ho advocates of the projects, owned several parcels near the project — and the project area lines were carefully drawn to keep the Ex/Chron lots outside the area slated for condemnation.

More recently, freelance reporter Gar Smith also detailed the Chronicle's and Examiner's land holdings near Yerba Buena in a 1981 story in Mediafile, the newspaper of Media Alliance.

But until now, nobody outside the Ex/Chron inner

CHRONOLOGY

continued from previous page
 forcefully that the Examiner can make big profits in San Francisco and that the newspaper's problems stem from an antiquated plant and equipment. Gould also makes clear that the Examiner can successfully compete with the Chronicle and lays out plan after plan to do so.

For example, on June 4th, Gould writes to G.O. Markuson, general manager of Hearst Newspapers in New York. "Within ten days after I arrived in this city, I was sadly aware of the archaic production facilities being used by the Examiner. A modern efficient plant could reduce the Examiner's present operating costs by \$790,000 a year."

Emphasizing he wants to com-

pete and not merge, Gould proposes, "Plan D: establishment of an all-day newspaper."

"This is the boldest paper. I think it is the safest. The surest. The soundest."

"I think that overnight it could give Hearst a newspaper with more than 400,000 circulation. It would be dominant in the market. I think that it would grow from this figure and that the Chronicle would never again overtake us."

Gould's memos show he is convinced the Examiner can beat the Chronicle. However, his superiors in New York see another alternative: a price-fixing, profit-pooling Joint Operating Agreement with the Chronicle. Gould is ordered to study and plan for a merger with his competitor.

• In September, Randolph Hearst moves to San Francisco

circle had any idea of just how extensive were the Examiner and Chronicle holdings in local real estate and major downtown corporations.

The total figures are staggering. Between 1970 and the present, while San Francisco was being transformed by what is now the biggest highrise development boom in the nation, the owners of the city's only two daily papers owned or had a direct financial interest in 52 prime downtown parcels, with a combined assessed value of \$137 million.

PG&E, Crocker Bank and the Clift Hotel

Among other investments, the Chron owners had a major interest in Allied Properties, which for years owned the Clift Hotel. The family owns stock in Parrott Investment Company, which is listed on the City Assessors' rolls as owning the land under the Emporium. Through Allied and Parrott, they had an interest in five prime lots on the corner of Battery and Front and an office building at 79 Montgomery.

The corporations that own the two papers also own more than 20 lots near Fifth and Mission and most of a city block just a few hundred yards from Candlestick Park.

Also, information contained in the estate records of several deceased members of the deYoung family, which owns the Chronicle outright, revealed that family members (including two former Chronicle pub-

The owners of the Examiner and Chronicle are more than just friendly allies of the big real estate interests, developers and downtown corporations. They are themselves among the biggest landowners in San Francisco.

lishers, George T. Cameron and Charles deYoung Thieriot) had heavy investments in local corporations. For example, the estate of Cameron's wife Helen, who died in 1969 (14 years after her husband), showed she owned \$208,000 worth of PG&E stock, \$188,702 worth of Standard Oil of California, \$138,000 worth of Pacific Telephone and \$264,000 worth of Crocker Bank.

Charles deYoung Thieriot, who succeeded Cameron as Chronicle publisher, died in 1977. His estate included 1,933 shares of Standard Oil, valued at \$79,123, and 1,000 shares of Crocker National, valued at \$27,062.

The single largest block of stock we found in any family estate belonged to Cyril Tobin, who left \$2.2 million worth of stock in Transamerica Corporation (see chart, pages 18 and 19).

Hibernia Bank directors

In addition, until 1982, members of the deYoung family had direct control of the Hibernia Bank and owned tens of millions of dollars worth of Hibernia stock. At least three family members still own stock in the bank. The three continue to sit on the board of directors, even though the controlling interest has been sold to overseas investors.

continued page 13

from Los Angeles and assumes an active role in managing the Examiner. One month after coming to town, Hearst invites Chronicle Publisher Charles Thieriot to lunch with him at the Pacific Union Club atop Nob Hill. Hearst proposes a merger between the Examiner and the Chronicle. Thieriot says he must consult with his family. As Berkeley Barb attorney Richard Harrington argues in the 1981 antitrust case, Hearst could not in one month have studied the complex alternatives before proposing the merger to Thieriot. Hearst is pushing but one alternative.

1963: In February, Chronicle publisher Thieriot attends a meeting in New York at Hearst Company headquarters. Thieriot, according to his later deposition in the Pacific Sun case, insists

on two major preconditions to a merger: that there be no objection from the Justice Department and that the Chronicle would be the morning paper. Negotiations continue quietly at the Clift Hotel.

• In April, the Chronicle adds new presses as baseball season starts, thus gaining a circulation advantage over the Examiner by being able to give complete scores of games from the previous night.

1964: Over three decades, the Justice Department under attorney generals appointed by Presidents Roosevelt, Truman, Eisenhower and Kennedy, presents no serious obstacles to JOAs that have been taking tens of millions of dollars in monopoly-inflated profits out of their communities as a result of

continued page 13

In other words, when the Chronicle refused for 60 years to publish the facts of how PG&E was keeping cheap public power out of San Francisco, to the advantage of PG&E, it was also avoiding a scandal that could have caused a sudden drop in the value of stock owned by the man who published the paper for 30 years and his family. And when both papers used their editorials and news columns to help defeat initiatives against highrise development in 1971, '73, '79 and '83, they were also helping ensure that the value of their own downtown property and investments would continue to climb.

If we need to spell it out for you, we will: In the same way that CBS owned the 1968 Yankees, the Examiner and Chronicle own a big chunk of the gold mine that is downtown San Francisco.

Why not the Ex?

Of course, if the Chronicle had a conflict — as with PG&E — it shouldn't affect a competitive paper. So why didn't the Examiner give even token coverage to the Prop. K campaign? To hear the papers' staffs tell it, the Examiner and Chronicle compete bitterly for news items.

In 1970, five years after the merger, Examiner publisher Charles Gould told a Senate subcommittee

Neither the Chronicle nor the Examiner takes on major stories that could threaten the interests of the downtown developers and major corporations that control the directions of city policy.

that, "from an editorial standpoint, I don't know any place in the United States where there is stronger editorial competition than presently exists in San Francisco."

Is that really true?

Of course not. It wasn't true then, and it isn't true now. And there are plenty of concrete examples to prove it.

In 1969, the Federal Communication Commission decided to hold hearings in San Francisco on the license renewal application of KRON, the Chronicle's TV station.

That the FCC had called the hearings was, in itself, a highly unusual action, as most licenses are simply rubberstamped. The FCC move had come after several citizens, including former KRON cameraman Al Kihn, charged in letters to the commission that the station was not living up to its FCC-mandated public interest commitment.

Specifically, Kihn charged, the station was censoring stories and gearing its news coverage to items that would increase the station's profits and preserve the Ex/Chron monopoly. The potential conflict created by one member of a monopoly news combine also owning a major TV station in the same city was a key issue leading to the hearing.

CHRONOLOGY

continued from page 10

their per se rate-fixing, profit-splitting, market-sharing violations of the antitrust law.

The JOAs continue to grow in number until they total 22 in 1966. The JOA owners generally claim to be committed to free enterprise and the public's right to know in their editorial pages, but they keep secret the illegal and anti-competitive practices of their monopoly arrangements.

For example, the mere existence of a profit-pooling arrangement in St. Louis, disclosed in 1967 in Senator Hart's hearings on the "failing newspaper" act, came as a shock even to top managers in the Globe-Democrat, owned by Newhouse, and the Post-Dispatch,

owned by the Pulitzer Publishing Company.

Finally, the Justice Department initiates a general investigation of the JOA agreements.

- In San Francisco, Gould's stiff objections to the merger continue to be overruled. He isn't allowed to take the necessary steps to compete with the Chronicle, while the Chronicle is busy increasing its circulation lead, particularly in the suburbs, and improving its press facilities.

- Hearst official Wells Smith totals up the early potential profits from a JOA in a letter to Markuson in New York: "We estimate that operations in the first full year would break even, in the second year an operating profit of approximately \$3,000,000 and in the third year (after the installation of additional press

18TH ANNIVERSARY SPECIAL UP AGAINST THE MEDIA MONOPOLY

It's not all that surprising that the Chronicle failed to report several damning admissions by key KRON executives and scathing charges by citizens such as Kihn. What made the news reports on the hearing so interesting was that the Examiner — the ostensible competitor — suppressed the same charges, giving coverage almost identical to the Chron's.

Neither paper, for example, reported two memos by Hearst executive Wells Smith that revealed how the papers never intended to be competitive (for details, see Chronology, page 7 and "The Crybaby Millionaire Lawbreakers Relief Act," page 29).

Nor did the Examiner report the testimony of Art Brown, a KRON newscaster who stated that he had been instructed by the KRON news director not to use the words "merger" or "monopoly" in covering the 1968 newspaper strike.

Like the Chron, the Ex used mainly glowing terms to refer to pro-KRON witnesses and derogatory terms for those challenging the license. Charles deYoung Thieriot was, according to the Examiner, a "calm and cooperative witness." Chronicle managing editor Gordon Pates "calmly explained the facts of life on a major metropolitan newspaper" and "was never flurried."

By contrast, the Ex charged in the lead to one of its stories that "KRON attorneys continued to chop away at Albert Kihn's integrity, reliability and character." By the end of the hearing, the story declared, "Kihn's infectious smile had become a twisted grin."

And, despite the fact that the hearings were held in San Francisco and were certainly one of the biggest television stories to hit town in years, the TV columnists on both papers totally ignored the entire episode.

Embarrassing details not reported

In 1974, following the kidnapping of Patty Hearst, the daughter of Examiner Publisher Randolph A. Hearst, Bay Guardian reporter Burton Wolfe showed in a May 11, 1974 story yet another example of how the two papers worked editorially on a major local story almost as if they were one.

Again, the kidnapping was a story in which one of the papers — this time, the Examiner — had a clear interest. But that interest transcended a paper's normal concern for a father and his kidnapped daughter. Some of the details that came out during the incident were things Randolph Hearst found embarrassing to himself personally.

For instance, it became clear during the investigation that Patty Hearst was living with Steven Weed, to whom she was not married; that quantities of marijuana were found in Weed's apartment; and that Randolph Hearst had hired psychics to perform strange rituals in the hope of locating the kidnappers.

What's more, the Hearst family was declaring publicly that it lacked the money to pay Patty's \$2 million ransom — although observers of the family's lifestyle could certainly question that fact.

Not surprisingly, all of these details were kept out of the Examiner. But they were also kept out of the Chronicle.

Reporter resigns

Wolfe wrote that Chronicle reporter Tim Findley resigned over the censorship after attempting for weeks to get some of these and other similar details into the paper. A story revealing that Symbionese Liberation

continued next page

equipment, et cetera), an operating profit of between four and \$5,000,000."

Thus, rather than modernize its facilities, the Examiner continues with its archaic plant to help insure it will appear as a "failing newspaper" to the Justice Department — a condition necessary to get Justice Department approval for an exemption from antitrust law.

This is a rational investment, as Pacific Sun attorney Shartsis argues in 1981: "the \$12 million of losses incurred by the Examiner and News-Call-Bulletin from 1962 through 1965 in reality were an entirely rational investment by Hearst which Wells Smith, Gould and Hearst rationally anticipated would throw off a return of 25% per annum under the JOA."

- On Oct. 23rd, after many negotiating sessions at the Clift

Hotel, Hearst and the Chronicle agree to a JOA merger. They agree to kill Hearst's afternoon News-Call-Bulletin, switch the Examiner from morning to afternoon and give the Chronicle the dominant morning position. The Examiner would publish the Sunday edition, with some inserted Chronicle-edited sections. The plan is to be kept secret while the publishers seek advance approval from the Justice Department.

1965: On Jan. 4th, the Justice Department moves on its 1964 investigation and files a civil antitrust suit against the Joint Operating Agreement in Tucson.

On April 16th, Federal District Judge Walsh rules in favor of the Justice Department, finding the JOA agreement between the Tucson publisher to fix prices, continued next page



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Army leader Donald Cinque had once been a paid police informant was censored, according to Findley, after Hearst phoned Chronicle Publisher Charles deYoung Thieriot and asked him to kill it.

"Now, how the hell do you suppose Hearst knew in advance that the story was written?" Findley asked.

Shaping the nation's news

The significance of the Ex/Chron news coverage goes much further than merely depriving the central Bay Area of the type of morning and afternoon newspaper coverage it needs.

It's no secret that, like other wire service bureaus around the country, the local offices for AP and UPI rely heavily on the major local newspapers for the nuts and bolts details of local news.

The local TV stations also largely take their cues for news coverage from the two dailies. As one test, we monitored every local TV station's evening news program for a full seven-day period (Sept. 19th-26th) during which there was no dramatic news event to cloud normal coverage. We found that not one local TV news station ran a major San Francisco story not already broken by the Examiner or Chronicle. Not one. The local TV news consisted largely of police reports (accidents, murders, etc.) and updates on Ex/Chron stories (such as the district attorney's investigation of the Lord Jim's incident and the Board of Supervisors' parking plans).

In other words, what the Examiner and the Chronicle say and don't say defines in large part what people in the Bay Area hear, see and read about the workings of their region. Through the wires, it also shapes the visions people in other American cities have about San Francisco.

To see how this works, you need look no further than the way the Examiner and Chronicle covered the release of the Downtown Plan. The plan was not just another routine-press-release-type project of the city bureaucracy. It was the culmination of some five years of study, debate and discussion. At the time of the plan's release, more than \$500,000 already had been spent on studies on the issues.

It was also — or should have been — a matter of crucial concern to the people who live in San Francisco. The Downtown Plan was to guide development policy into the year 2000. It would determine the number of new commuters crowding onto the bridges at rush hour, the number of parking spaces in neighborhoods adjacent to downtown and the number of Muni buses available to both commuters and non-commuters.

It would also have a major impact on the demographics of the city's population. As the studies showed, the development boom was directly linked to a net loss of 10,000 blacks and 60,000 children from the city, to a jump in housing costs and to a huge increase in "gentrification."

No advance mention

Neither paper mentioned any of this in advance of the plan's release. Nor did either report a word on the \$500,000 consultant's study and how it affected the plan's policy proposals. They also both ignored the fact that the plan was released just two-and-a-half months before the citizens would vote on Prop. M, an initiative that presented a distinct policy alternative to the plan.

When the document was released at a 10 am press conference Aug. 25th, it was accompanied by a press release that said the plan would "cut the city's development potential in half." The Examiner's afternoon edition on the same day proclaimed in a banner headline,

CHRONOLOGY

continued from previous page
pool rates and share markets to be per se violations of antitrust law. The decree does not prohibit all forms of joint operation (for example, joint printing), but it does require the two papers to submit a plan for divestiture, to reestablish the Star as an independent competitor and to modify the JOA so as to eliminate the price-fixing, profit-pooling and market-control provisions.

● The Examiner and Chronicle wait for Justice Department approval. Gould is increasingly frustrated over the delays and his memos show how much the Examiner has purposely become a "failing newspaper" in anticipation of the merger.

On April 3rd, Gould totals up

the damage in a letter to Markson: "For two years, five months and ten days, every action on our part has been clouded by the Master Plan [the merger]."

"We shelved all consideration of cannibalizing the evening paper [News-Call-Bulletin] to strengthen the morning. We shelved all plans for a new plant. We shelved our request for the Milwaukee presses [from the Milwaukee Sentinel's folding in 1962]. We backed away from market research needed for our selling efforts."

"We slowed down in personnel changes because of the prospects of an early fusion of our two forces. We softened some of our competitive attacks in the interest of not rocking the boat. We refused to make needed plant changes and improvements because of the immi-

UP AGAINST THE MEDIA MONOPOLY

"Plan: Cut Development in Half."

In the ensuing days, both papers ran numerous stories portraying the plan as a tough proposal aimed at controlling highrise growth. Nationwide, the media picked up that line. San Francisco, led by Mayor Dianne Feinstein, was portrayed as taking a dramatic new approach to limiting development.



GUARDIAN PHOTO BY MARTIN E. KLIMEK

Once upon a time, big city newspapers proclaimed themselves as independent watchdogs of government. Today, Joseph Barletta, president of the San Francisco Newspaper Agency, sits as Mayor Feinstein's most recent appointee to the city's Public Utilities Commission. The agency is the Examiner/Chronicle's business arm.

But those who actually read the plan — as opposed to the press release — found a very different story. Nowhere did the plan contain a single growth-limiting measure. In fact, it promoted a level of development equal to that occurring during the previous ten "boom" years.

EIR confirms problems

Several months after the plan came out, an Environmental Impact Report reviewing the document came to precisely that conclusion. The Examiner, in a March 16th story, announced a "Hellish downtown seen by year 2000." The Chron said essentially the same thing.

But neither paper asked the obvious question: Why did the mayor and her planning director announce in August that the plan would control growth? Why did

nence of the master plan."

He notes that the Chronicle's Thieriot "was not similarly inhibited." According to Gould, Thieriot "went into a crash program of plant improvement in the knowledge that if the plan was consummated we would pick up half the tab. And, if it was not, he could use the improved facilities to knock us out of the box."

"He installed new presses. He installed a computer. He improved his stereotype department. He improved his composing room."

"Frankly, Mark, this has been the longest, most frustrating 30 months in my career. We have been forced to give employees, readers and advertisers a lot of double talk while we fought to keep the Examiner strong while also keeping our evening nest warm and clean

against any eventuality."

However, Gould is still convinced the Examiner can beat the Chronicle and turn a profit — despite Hearst's private claims of the Examiner's ruinous and irrevocable financial failure to the Justice Department. Gould writes he is prepared "to turn a profit... the moment all are convinced that it is fruitless to pursue the golden carrot of togetherness."

Gould proposes more plans to beat the Chronicle, including offering Herb Caen and his associate Jerry Bundsen up to \$100,000 to lure them back to the Examiner.

Gould also suggests in his April 3rd letter another method to attack the Chronicle. It is a lawsuit against the Chronicle for unfair trade practices similar to those filed by the

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JVC TAPE DECK
KDV 22 **\$149**
KDV 33 **\$189**
KDV 35 **\$199**

MECCA CAR SPEAKERS
3 Way 200 watts 40 oz mag 6x9 **\$19.95**
4 Way 300 watts 50 oz mag 6x9 **\$24.95**
5 Way 300 watts 50 oz mag 6x9 **\$29.95**

IN-DASH AM/FM/MPX
Push Button Radio/Fader
Control, 16 Watts, Cassette
Stereo Tape
Player
Made in Japan **\$79.95**

VCR SALE!
SANYO 4400 **289**
SHARP VCR **409**
AKAI VS-3U **439**
NEC VHS video recorder **489**
TOSHIBA HIFI VIDEO
CASSETTE RECORDER **699.95**
SANYO 7200 HIFI **\$549**

VIDEO CASSETTE TAPES
(CASH OR CHECK ONLY) 1-6 6 or more
TDK T-120 **5.69 5.49**
TDK T-120 HG **8.99 8.69**
MAXELL T-120 **5.99 5.89**
MAXELL T-120 HG **7.99 7.69**

SONY WALKMAN
SONY WM-15 **\$149**
SONY WM 7 **\$109**
SONY WM-6 **\$89**
SONY WM F10 **\$109**
SONY WM3 **\$79**
SONY WM F5 Waterproof **\$120**
SONY WM 6 (prot) **\$249**
SONY WA 33 **\$99**
SONY Watchman **\$159**
PIONEER All Weather **\$129**

HITACHI COMPACT
DISC PLAYER
\$469.95

Audio Tape
MAXELL XLIIS 90 Min. **\$2.79**
MAXELL LN90 **\$1.39**
SONY FH3 component System
w/Tuner, Amp, Eq., and Spks.
240 WATTS **\$329.00**

SPECIAL OF THE WEEK
SLIM CAR
EQUALIZER
200W **\$29.95** Made in Japan
300W **\$39.95**

KONICA T-120/L-750
\$599
Buy 10 get 10 Chrome
Audio C-90 FREE from Konica
or
Buy 100 and get a
Video camera FREE from Konica

VIDEO CASSETTE TAPES
1-6 6 or more
P.D.M. T-120 HG **6.99 6.49**
P.D.M. T-160 HG **11.49 11.29**

PORTABLE WALKABOUTS
AIWA HS300 **\$119**
AIWA HS-F07 **\$129**
AIWA J07 **\$149**
AIWA HSU07 **\$119**
AIWA HSP02 MKII **\$109**
AIWA P06 **\$109**
AIWA P05 **\$89**

INDASH AM/FM CASS, Auto Reverse
Electronic tuning, LED Clock,
50 WATTS Power **\$89.95**

INDASH AM/FM CASS, Auto Reverse
w/Built-in Equalizer, 50 Watts Pwr
car stereo **\$99.95**

AM/FM auto reverse
cassette player **\$49.95**

MAXIMA MODE CSC-670
ELECTRONICALLY TUNED AM/FM/MPX INDASH,
DIGITAL READOUT, AUTO REVERSE, CASSETTE W/CLOCK
ONLY **\$149**

MODEL CSC 501 **\$69**

MODEL 671 **\$189**

CAR CASSETTE STEREO PLAYER
w/AM/FM/MPX RADIO **\$39.95**

SHARP 14" COLOR TV
LINYTRON PLUS
\$229

AUTHORIZED DEALER OF ADIDAS. COME IN FOR A LARGE
SELECTION OF JOGGING SUITS FROM \$39.95 & UP AT HONEST BARGAINS

SELECTRONICS
28 3rd Street (at Market)
SAN FRANCISCO
543-0446 543-0545
Open Till 7PM (Mon-Sat) Closed Sunday

HONEST BARGAINS
2223 POLK ST.
(between Green & Polk)
SAN FRANCISCO
673-7034
Open Mon-Sat 11-7

HITACHI, MAGNAVOX, MGA, SONY, QUASAR, COUPON, RCA, SHARP, SYLVANIA, SANYO

20% Off TV REPAIR

LABOR

Present coupon when picked up. Expires Dec. 31, 1984. Good for all 3 locations.

- Same Day Service in Most Instances
- Fast County-Wide House Calls & Delivery
- Experienced Technicians, Large Modern Facilities
- Factory Authorized Service Center
- Service-Maintenance Contract Available
- In & Out of Warranty Repair Regardless Where Purchased

★ HONEST, EFFICIENT, ALL BRANDS REPAIRED ★

100% SOLID STATE EXPERT

★ ADMIRAL ★ MOTOROLA ★ RCA ★

★ AIRLINE ★ MGA ★ PENNY'S ★

★ TOSHIBA ★ PHILCO ★ SHARP ★

★ GE ★ SONY ★ SLARS ★

★ HITACHI ★ PANASONIC ★ SYLVANIA ★

★ GOLD STAR ★ QUASAR ★ SANYO ★

★ MAGNAVOX ★ ZENITH & ALL OTHERS ★

ALPHA TV SERVICE CENTER

Service is our business

SAN FRANCISCO
546-0555
177 TOWNSEND ST.
Between 3rd St. & 2nd St.

OAKLAND
530-1620

SAN JOSE
259-6400

FREE PARKING
Open Mon.-Sat.

BayGuardian MAGNAVOX, MGA, SONY, QUASAR, COUPON, RCA, SHARP, SYLVANIA, SANYO

Invite our readers to your tables-Advertise your restaurant in the Bay Guardian- Call David Evans at 824-3322 for our specials.

\$ vs C

Remember when you said you'd quit smoking when the price of cigarettes reached a dollar a pack? Well, since you're still enjoying those smokes—why not just reduce the cost by half and enjoy even more? With DRUM.

DRUM gives you 40 quality smokes for the cost of 20 ordinary cigarettes. Of course, there's a catch. You have to roll your own DRUM. But DRUM's long-cut tobacco makes rolling easier. Feel and Smell DRUM's freshness while you roll. Now light up. You've made yourself a very mild smoke, haven't you?

Relax with your hand-rolled, half-priced DRUM and reflect on how much money you'd save if you could roll your own 3 bedroom ranch!



continued from previous page

the press release bear little resemblance to the facts of the matter?

What would the plan *really* do — control growth or create a hellish downtown?

From reading the San Francisco dailies, you would have had little way of knowing. Nor would you have had any way of knowing from the two papers' coverage of Prop. M that the initiative would lead to a very different image of the city in the year 2000 — less hellish, less developed, less crowded. It would have done precisely what Feinstein claimed the Downtown Plan would do.

Instead, as the November 1983 election approached a political consulting firm hired by the Chamber of Commerce produced about \$60,000 worth of slick direct mail flyers smothering the proposition and suggesting it would destroy the city by driving out businesses. The Downtown Plan was presented as a "reasonable" alternative that would accomplish much the same thing.

Claims ignored

Not once did either paper seriously attempt to debunk those claims — or even to support them. Nor did they so much as mention the fact that the No on M campaign was a front group, run entirely by an outside consultant, hired by the Chamber and paid by huge contributions from downtown developers.

Proposition M lost, by about 1% of the vote. And in about a month, the City Planning Commission will vote on the Downtown Plan. In the past six months, several thousand more pages of studies have been released on the plan — and scarcely a word has appeared about them in either paper.

The Mandel-Chron conspiracy

Postscript: Not too long ago, I called Examiner columnist Bill Mandel to ask about something he'd written on the Democratic National Convention. Mandel wasn't in the first time I tried, so I called again a few hours later.

This time, he answered the phone and apologized for missing my earlier call. "I'm sorry I wasn't around," he said. "I was off conspiring with the Chronicle."

What Mandel was saying was that he considers the Bay Guardian is crazy to suggest that the two papers share more than a printing plant, a few bits of property and an ad agency. The newsrooms are separate operations altogether.

When you get right down to it, his comment has the same tone as Liebert's assertion that the publisher never censors his stories. And my response is the same: That's not the point.

Nobody ever said that Richard Thieriot hangs like a vulture over Liebert's desk, or that Mandel and Herb Caen hold weekly coffee Klatches to divvy up their items for the week. It makes little difference who drinks in which bar.

The bottom line is that, whatever he or she might say about the process, nobody at either paper can deny the final result. San Francisco suffers deeply from a lack of fair, comprehensive news coverage on the type of major issues that affect the future of its citizens. The Examiner and the Chronicle don't jeopardize their own interests, they don't jeopardize each other's interests and they don't jeopardize the interests of the wealthy, powerful people who run San Francisco.

It's no coincidence that a lot of those interests — the Examiner's, the Chronicle's, PG&E's, the Chamber's — are not just similar but precisely the same.

And it's no coincidence that all the rest of us are worse off for it.

CHRONOLOGY

continued from previous page

Justice Department in a Lima, Ohio Daily News case.

"We would have one stronger point than the government had in the Lima case. We could charge that the Chronicle used a 'public trust' in its TV franchise — to produce the funds to finance the unfair trade practices... I think a threat of this kind which might result in the loss of the franchise would bring Mr. Thieriot to his senses in a hurry."

● On Sept. 1st, the Chronicle sends its attorneys to Carson City, Nevada to file incorporation papers for the JOA with the Nevada secretary of state's office.

They don't call the new company the San Francisco Printing

Company. Instead, they name it, "Central State Enterprises, Inc." Nor do they list the real directors — Hearst and Chronicle executives whose names might be recognized. Instead, they list six attorneys who have represented them: Robert Raymer, John E. Schaeffer, Charles W. Kenady, R. Barry Churton, J. Raymond Healy and James Murad, all with a post office address of 701 Crocker Building, San Francisco 94104.

Nor did they say who filed the articles of incorporation. They say it was filed "at the request of CT Corporation System, 333 Pine Street. Neither do they give a San Francisco address for the new corporation. Its headquarters is listed as 1 East First Street in Reno (the First National Bank of Nevada).

"Why Nevada?" The Bay Guardian asks in its Feb. 7, 1984

WANTED



**SUPERCHRON
DEAD*OR*ALIVE**

**FOR
ILLEGAL PRICE FIXING
PROFIT POOLING and
MARKET CONTROL**

The economics of monopoly journalism

Trying to sell a bike? Find a job?
Rent an apartment? You may be
the next victim of the Ex/Chron
price fixers.

The Examiner/
Chronicle joint agency
monopoly, as pictured
by Dan O'Neill in 1969.
The drawing was used
to illustrate excerpts
from Bay Guardian
publisher Bruce B.
Brugmann's testimony
against the "failing
newspaper" act before
the Senate antitrust
subcommittee.

B Y T I M R E D M O N D

"Power does not countervail. It attracts. Among the powerful, mutual assistance pacts are less painful than prolonged strife.

Faced with such strength, the individual citizen should be excused if he feels himself overwhelmed by forces which, like X-rays, he knows exists but cannot discern."

— Morton Mintz and Jerry S. Cohen, *America, Inc.*

The number to call is 777-7777. Go ahead — try it right now. Pick up the phone, dial the number. When a classified clerk at the San Francisco Newspaper Agency answers, say you want to sell your bicycle by placing a classified ad — in the San Francisco Examiner.

Explain to the salesperson that you don't want your ad to run in the Chronicle, because it is circulated everywhere from Ukiah to Monterey and you just want to sell your bicycle in San Francisco. And you'd like to know how much the ad will cost.

If your experience is anything like ours has been — all of us involved in researching this special issue have tried at least once or twice in the past month — then the salesperson will ignore everything you have said about the Chronicle and will start quoting you a rate for combined Examiner/Chronicle circulation.

Be firm. Remember: You don't want to pay for all those readers up in Ukiah who aren't going to travel 100 miles just to buy your bike. Besides, your horoscope says you will sell your bicycle late in the afternoon. So you want the afternoon paper, and that's all.

continued page 21

edition, detailing "The Secret Merger Deal" for the first time. "Well for one thing, the state has neither corporate nor personal income taxes.

"Why the secrecy? Obviously, the publishers felt it would be easier to combat complaints of their employees, their readers and the public if they could present them with an accomplished fact."

Finally, The New York Times breaks the story, the Oakland Tribune runs it and publishers of the Chronicle, Examiner and News-Call-Bulletin are forced to run an AP story on the merger that ends with what must undoubtedly be the most famous line in San Francisco journalism: "Neither publisher was available for comment."

The incorporation papers are hurriedly amended to change the name for Central States Enter-

prises to the San Francisco Newspaper Printing Co., Inc.

On Sept. 13th, ten months after the Justice Department has attacked the Tucson JOA in a federal antitrust suit and five months after the federal district court ruled in favor of the Justice Department, Hearst and Thieriot belatedly confirm the rumors, kill the News-Call-Bulletin, announce a joint agency merger agreement and end newspaper competition in San Francisco. (The SF JOA becomes the largest JOA in the country. And the San Francisco market becomes the only one of the top ten newspaper markets in the country without daily competition).

The new JOA has the same rate-fixing, profit-pooling and market-sharing aspects that have been held per se violations of the antitrust law in Tucson.

But the publishers' merger announcements in San Francisco don't spell out these illegal monopoly practices, nor their obvious antitrust problems.

The publishers allege they have gotten advance "clearance" from the Justice Department, but they neither produce nor quote from the "clearance" letter.

The reason the publishers can't publicly use the letter is obvious once the letter is revealed three years later. It isn't — and can't be — the green light the publishers were claiming because of the pending Tucson case. The two paragraph letter, disclosed by the Justice Department in its 1968 testimony on the "failing newspaper" act, says in its entirety:

"On the basis of your submissions and our further review of the heavy losses being suffered

by the Hearst newspapers in San Francisco, I wish to advise you that it is not the present intention of the Department of Justice to institute antitrust action against the implementation of the proposed production plan.

"As you know, we are presently reviewing a number of other newspaper transactions which could conceivably raise related problems. Accordingly, the Department must, of course, be free to take any future action which may be required to insure equality of treatment should the question arise."

Note that the letter says it is not the "present intention" of Justice to institute action against "the proposed production plan," (not a full-scale JOA).

This is consistent with a Justice statement reported by UPI on Sept. 19th, that it did not "oppose a production consolida-

tion" of the San Francisco newspapers.

It is also consistent with a statement by then Assistant Attorney General Donald F. Turner on March 23, 1966. Turner is quoted in the UPI story as saying "he is not opposed to competing newspapers using a joint publishing plant as long as the agreement is designed to cut costs and not fix prices."

However, Turner's attitude, according to an interview published in the March 23, 1966 bulletin of the American Newspaper Publishers Association, is that if the agreements were widened to include arrangements for pooling profits, or fixing advertising circulation rates of two or more papers, then he considers the agreements illegal.

"Since San Francisco newspapers are fixing prices and are fixing advertising rates and are

fixing circulation rates, their agreement, according to the Justice Department, is an illegal agreement."

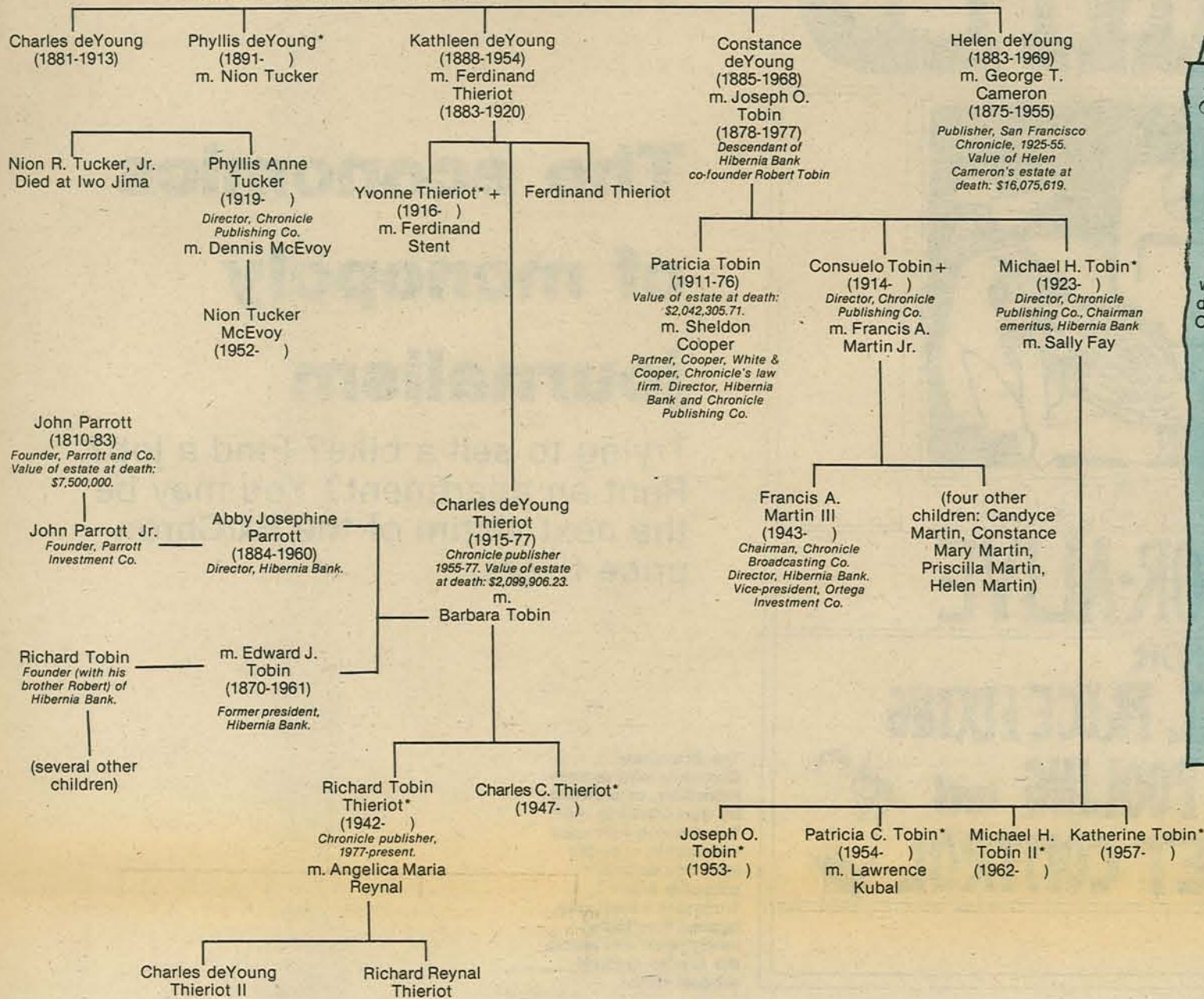
In his 1969 testimony, UC law professor Steve Barnett sums up the Chronicle/Examiner pre-merger position: "The Chronicle and Examiner presumably had competent legal advice, and any antitrust lawyer would have advised them in September 1965 that the Government had an excellent chance of winning the Tucson case; that their proposed combination was likewise vulnerable; that suit could be brought against it by a private plaintiff if not by the Justice Department; and that if they went ahead with the combination they were doing so at their own risk.

• The Examiner/Chronicle continue their see no evil, hear no
continued page 21

THE deYOUNG FAMILY

Current family fortune estimated by Forbes magazine at \$400 million.

Michel H. deYoung m. Katherine I. Deane
(1849-1925) (1857-1917)
Founder (with his brother Charles'), of San Francisco Chronicle, estate at death: \$2,896,440.



MONARCHS OF

The families and co
San Francisco's daily n

San Francisco Chronicle

Founded in 1865 by Charles and M.H. deYoung
George T. Cameron, publisher 1925-1955
Charles deYoung Thieriot, publisher 1955-1977
Richard T. Thieriot, publisher 1977-present.
Owned by Chronicle Publishing Company,
which is controlled entirely by the heirs of M.H.
deYoung through the Chronicle Trust and the
Ortega Investment Company.

SAN FRANCISCO NEWSPRINTING COMPANY/FRANCISCO NEWSPAPER

Established 1965 under a Joint Op
Chronicle Publishing Company and T
the JOA, each owns 50% of the pri
both the Examiner and the Chronicle
Agency, which handles advertising, p
affairs for both papers.
All profits are divided equally, reg
either paper. At the time of the agree
was in dire financial straits. But in th
tion (1965-75), the Hearst and Chron
\$75 million in net profits.

Property jointly owned by Hearst Corp. and Chronicle Publishing

The Hearst C
and the Chroni
Company are l
San Francisco T
rolls as joint
19 lots in dov
Francisco. Th
assessed value
is \$41.5 millio

BUSINESS ASSOCIATION MEMBERSHIPS:

San Francisco Chamber of Com
and Newspaper Agency all are me
have been for many years.
Downtown Association: Both t
members.
Bay Area Council: Both the
members.
San Francisco Planning and
(SPUR): Neither paper is a member
records show the foundation gave
group between 1975 and 1982.

CLUBS AND SOCIAL

Data on current club members
since most private clubs don't rel
ers (perhaps wary of power struct
list their affiliations in such guide
Register. However, based on ob
available, it's clear that many of
members have for years belonged
izations. (In fact, the original prop
ment was made over lunch bet
Charles deYoung Thieriot at the
cisco.) Bohemian Club: Members
Cameron and Richard M. Tobin.
Tobin, Edward J. Tobin, George T
Thieriot. Pacific Union Club: R
dolph Hearst Jr., William Randolp
M. Tobin and Charles deYoung T

THE deYOUNG FAMILY EMPIRE

Enterprises owned or controlled by the family:

HIBERNIA BANK

Founded in 1859 by Richard and Robert Tobin. Control remained entirely within the family until 1982, when the bank was sold to a group of Indonesian and Hong Kong investors for \$68 million. However, at least three family members have retained an interest in Hibernia: Sheldon Cooper, Francis A. Martin III and Michael Tobin are still on the Hibernia board of directors.

CHRONICLE PUBLISHING COMPANY

At present, all 500 shares of Class A voting stock in Chronicle Publishing are controlled jointly by Phyllis Tucker, Phyllis T. McEvoy, Michael Henry Tobin, Consuelo Martin, Richard T. Thieriot, Peter E. Thieriot and Sheldon Cooper. Through its subsidiary, Chronicle Broadcast Co., Chronicle Publishing owns 100% of KRON-TV. It also owns KAKA-TV in Wichita, Kansas; KUPK-TV in Garden City, Kansas and WOWT-TV in Omaha, Nebraska. The company has a controlling interest in five cable TV outfits (Western TV Cable, Monterey Peninsula TV Cable, Concord TV Cable, State TV Cable and Las Cruces TV Cable) that provide service to 24 communities in California (including Concord and South San Francisco) and three in New Mexico. Chronicle Publishing Company owns a 50% interest in the San Francisco Newspaper Agency and the San Francisco Newspaper Printing Co., under a 1965 Joint Operating Agreement with the Hearst Corporation.

ORTEGA INVESTMENT COMPANY

(Value of family interest: about \$2,455,000)

When Ortega Investment was founded in 1916, the name of M.H. deYoung appears nowhere on the original articles of incorporation. Yet by the time of his death, deYoung owned 1,000 shares of Ortega stock, valued at \$1.4 million (far more than his Chronicle Publishing Co. stock, then valued at \$49,000). The Ortega stock went into a special trust fund he established for his four daughters and their descendants. By 1980, Ortega was owned entirely by family members. Ortega currently owns all 37,000 shares of Class B (non-voting) stock in the Chronicle Publishing Company. (It's unclear what else Ortega owns. However, the estate of Helen Cameron lists a 1983 dividend of \$1,250 described as being an "Ortega oil royalty.") As of Jan. 31, 1984, Helen Cameron's estate held 416 2/3 shares of Ortega, valued at \$204,941 — \$491 a share. There are 5,000 shares outstanding.

Enterprises in which the family has a substantial financial interest:

ALLIED PROPERTIES

Numerous deYoung family members own large blocks of stock in Allied Properties, now known as Allied Properties Liquidating Trust. In 1976 and 1977, the firm sold off all its San Francisco property. The proceeds are still being distributed in installments to its stockholders. At the time, the firm owned some of the most valuable downtown real estate in San Francisco (see map), including the Clift Hotel (assessed value: \$42 million). The total value of Allied holdings was more than \$50 million.

PARROTT INVESTMENT COMPANY

Abby Parrott Tobin's 850 shares of Parrott Investment (1960 value: \$180,000) passed on to Charles deYoung Thieriot and his wife, Barbara Tobin (Parrott's daughter) as part of a trust fund. Parrott Investment owns eight pieces of property

in downtown San Francisco, with a combined assessed value of roughly \$17.5 million (see map). Among them is the land under the Emporium (assessed value: \$14 million). In 1971, Charles deYoung Thieriot served on Parrott's board of directors.

COOPER, WHITE AND COOPER

Cooper, White and Cooper is a law firm headed by Sheldon Cooper. It handles most of the Chronicle's legal affairs, and court records show that since Cooper married Patricia Tobin in the late 1930s, it has handled virtually every family estate as well as many legal affairs of the Hibernia Bank. After Patricia Tobin's death in 1976, Sheldon Cooper married Elizabeth Miller, mother of the late PG&E vice-president Richard Miller.

Local firms in which the family holds — or until recently held — sizeable stock interests:

Transamerica Corp.
(at least \$2,253,220)
Pacific Lighting Corp.
(at least \$307,762)
Crocker National Corp.
(at least \$264,000)
PG&E (at least \$208,000)
Standard Oil of Calif.
(at least \$188,702)

Pacific Telephone
(at least \$138,000)
Crown Zellerbach
(at least \$49,000)
Wells Fargo
(at least \$35,626)
Safeway Stores
(at least \$26,000)
Union Pacific
(at least \$21,375)
Knight-Ridder News-
papers (at least
\$20,662)

Footnotes to deYoung family tree:

* Indicates beneficiary of M.H. deYoung Chronicle stock trust.
+ Indicates stock interest in Ortega Investment Co

THE DAILIES

corporations behind
y newspaper monopoly

San Francisco Examiner

William Randolph Hearst, editor and
publisher 1887-1929
George Randolph Hearst, publisher 1929-?
Randolph A. Hearst, president 1960-1975,
editor 1973-1975
William Randolph Hearst III, publisher 1984

NEWSPAPER YI/SAN PAPER AGENCY

nt Operating Agreement between
and The Hearst Corporation. Under
ie printing company, which prints
onicle, and 50% of the Newspaper
ing, promotion and other business

y, regardless of the circulation of
greement, the Examiner claimed it
in the first ten years of JOA opera-
Chronicle companies split roughly

ntly owned by
and Chronicle
ing Co.:
t Corporation
nicle Publishing
e listed on the
o Tax Assessor's
int owners of
owntown San
The combined
ue of those lots
ion (see map).

CIATION

f Commerce: The Examiner, Chronicle
are members in good standing as they

Both the Examiner and Chronicle are
n the Examiner and Chronicle are

and Urban Research Association
member of SPUR, but Hearst Foundation
gave a total of \$35,000 in grants to the
32.

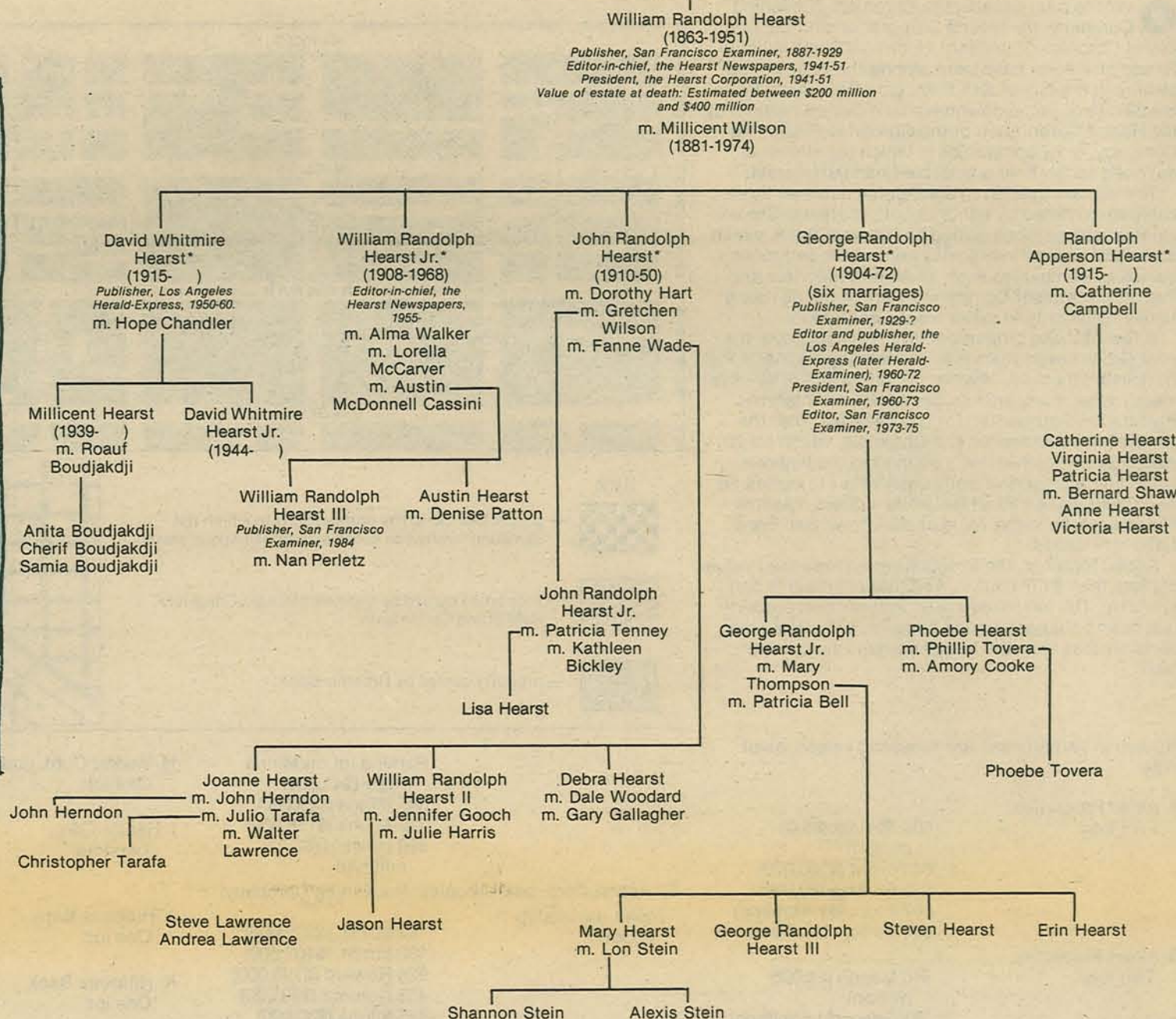
IAL ORGANIZATIONS:

memberships is often hard to come by,
n't release the lists and business lead-
structure inquiries) no longer routinely
guides as *Who's Who* and *The Social*
n obituaries and such records as are
ny of the Hearst and deYoung family
nged to the same few exclusive organ-
proposal for a Joint Operating Agree-
h between Randolph A. Hearst and
t the Pacific Union Club in San Fran-
nbers included Cyril Tobin, George T.
obin. Burlingame Country Club: Cyril
rge T. Cameron and Charles deYoung
o: Randolph A. Hearst, William Ran-
ndolph Hearst Sr., Cyril Tobin, Richard
ng Thieriot.

THE HEARST FAMILY

Current family fortune estimated by Forbes magazine at
\$1.3 billion.

George Hearst m. Phoebe Anderson
(1820?-91) (1842-1919)



THE HEARST FAMILY EMPIRE

MEDIA INTERESTS:

HEARST NEWSPAPER DIVISION

(Source: Broad-
casting/Cablecast-
ing Yearbook, 1984):
California: San
Francisco Ex-
aminer, San Fran-
cisco Newspaper
Printing Co. (50%
interest), Los An-
geles Herald Ex-
aminer, 28 small
weeklies and two
daily papers in the
suburban L.A. area.
Other: Edwards-
ville (Ill.) Intelli-
gencer, Baltimore
News-American,
Huron (Michigan)
Daily Tribune, Mid-
land (Michigan)
Daily News, Albany
(N.Y.) Times Union,
Knickerbocker
News-Union Star
(Albany, NY), Mid-
land (Texas) Re-
porter-Telegram,
Plainview (Texas)
Daily Herald, San
Antonio Light,
Seattle Post-Intelli-
gencer.

HEARST BROADCAST DIVISION

(Source: Broad-
casting/Cablecast-
ing Yearbook, 1984):
WBAL-TV, WBAL-
AM and WYYY (FM),
Baltimore; WDTN
(TV), Dayton, Ohio;
KMBC-TV, Kansas
City; WISN-TV,
WISN-AM and
WLPX (FM), Milwau-
kee; WTAE-TV,
WTAE-AM and
WHTX (FM), Pitts-
burgh; WAPA (AM),
San Juan, Puerto
Rico; Hearst/AMC
Viacom Entertain-
ment Services, 50%
interest.

HEARST MAGAZINE DIVISION

(Source: Broad-
casting/Cablecast-
ing Yearbook, 1984):
*American Drug-
gist, Colonial
Homes, Connois-
seur, Cosmopoli-
tan, Country Living,
Good Housekeep-
ing, Harper's
Bazaar, House
Beautiful, Motor,
Motor Boating and
Sailing, Popular
Mechanics, Red-
book, Science Di-
gest, Sports Afield,
Town and Country.*

OTHER MEDIA INTERESTS

(combined sources):
Avon Books,
King Features Syn-
dicate, *Puck*, the
Comic Weekly,
Hearst Books, Ar-
bor House Books (a
trade book publish-
er), National Maga-
zine Co. (a subsidi-
ary that distributes
Hearst magazines
in Britain).

THE HEARST CORPORATION

Control of the Hearst Corporation is vested in a voting
trust, controlled by a board of directors made up of five fam-
ily members and eight Hearst Corp. executives who cannot
be family members. Although the bulk of the Hearst wealth
— consisting of Hearst Corp. non-voting stock — originally
was tied up in two tax-exempt foundations, the family man-
aged in 1974 to buy back all of that stock, bringing the entire
fortune — if not the corporation — directly under family
control.

Family members now on the voting trust board are:
William R. Hearst Jr., executive committee chairman; Ran-
dolph A. Hearst, chairman; George R. Hearst Jr., vice-presi-
dent; David Whitmire Hearst, vice-president; and John R.
Hearst Jr.

Hearst Corporation owns a massive network of news-
paper, magazine and broadcast outlets in the U.S. and
abroad. It also owns land, livestock, paper mills and mining
interests.

Hearst Corporation sales are estimated at roughly \$500
million a year, making Hearst one of the largest privately
owned corporations in the country.

LAND, MINING AND PAPER INTERESTS:

(Source: Chavey and Ciepley, *The Hearsts*)

Sunical Land and Livestock Division: Manages a total of
215,000 acres of timberland and ranch land in California.

Pejepscot Paper Division: Manages 100,000 acres of
timberland in Maine and Canada.

Southwest Forest Industries: Hearst owns a 17% interest
in this lumber and paper products company based in
Phoenix.

San Luis Mining Co.: 25% interest in gold and silver mines
in Mexico.

Footnotes to Hearst family tree:
* share all 8 million shares of voting stock in the Hearst Corporation,
under the will of W.R. Hearst Sr.

THE EX/CHRON'S \$137 MILLION STAKE IN DOWNTOWN REAL ESTATE

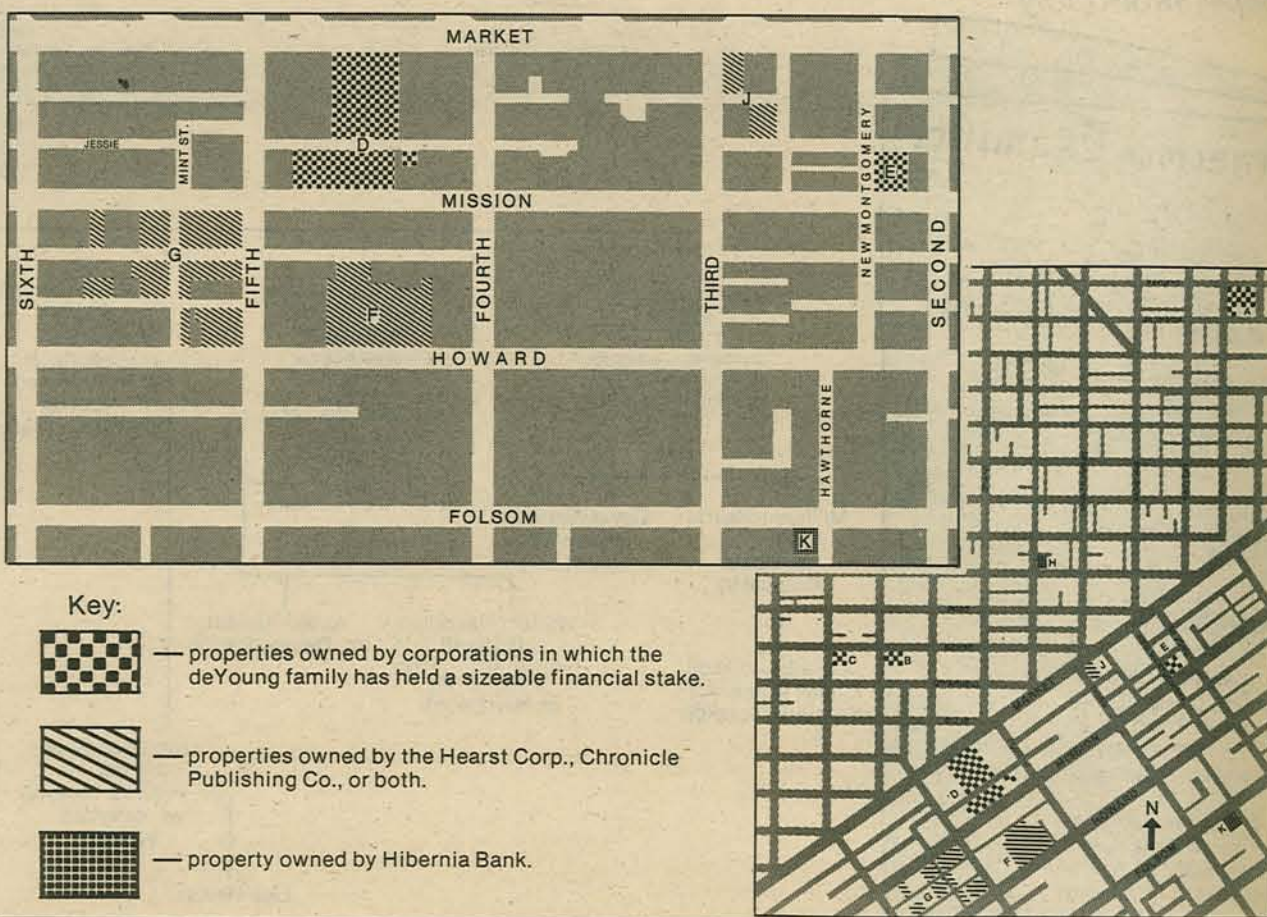
18TH ANNIVERSARY SPECIAL
UP AGAINST THE MEDIA MONOPOLY

Over the past decade, the Chronicle Publishing Company, the Hearst Corporation and the families of Chronicle founder M.H. deYoung and William Randolph Hearst have been among the largest landowners in the city of San Francisco. This map shows the 52 lots of prime downtown land owned outright by the Hearst Corporation or the Chronicle Publishing Company, or by companies in which the Hearst or deYoung family held a sizeable financial interest.

The lots are shaded to distinguish between three categories owned by either or both of Hearst/Chronicle Publishing; those owned by Hibernia Bank, which until 1982 was entirely family controlled; and those owned by companies such as Allied Properties and Parrott Investment Company, in which the deYoung family holds or held major blocks of stock.

A few of these properties have been sold over the past two to seven years (see accompanying chart). We have listed them all, however, because they show very clearly what many environmentalists and highrise-fighters have suspected for two decades: That the owners of the Examiner and Chronicle, which for 20 years have wholeheartedly supported the highrise boom and opposed virtually every effort to curtail development, have had all the while a direct massive financial stake in the value of downtown San Francisco real estate.

Added together, the 52 lots have an assessed value of more than \$137 million. And that estimate is conservative. The assessed value of downtown property that hasn't changed hands since Prop. 13 is almost certainly less than the actual market value of the land.



Figures in parentheses are assessed values, as of 1984.

A. Allied Properties Five lots:

600 Battery (\$5.03 million)
643 Front (\$566,000)
615 Front (\$180,000)
607 Front (\$1.4 million)
600 Battery (\$2.7 million)

B. Allied Properties Two lots:

340 Mason (\$1.005 million)
391 Geary (\$1.5 million)

C. Allied Properties¹ One lot:

491 Geary (Clift Hotel, \$42 million)

D. Parrott Investment Co.² Eight lots:

345 Jessie (\$500,000)
353 Jessie (\$794,000)
363 Jessie (\$441,000)
870 Mission (\$189,000)
874 Mission (\$513,000)
327 Jessie (\$64,000)
364 Jessie (\$739,000)
835 Market (\$14.2 million)

E. Allied Properties³ One lot:

79 New Montgomery (\$2.5 million)

F. Hearst Corporation Six lots:

Parking lot on Minna Alley (\$56,000)
Parking lot on Minna Alley (\$108,000)

G. Hearst Corp. and Chronicle Publishing Company, joint ownership 23 lots:

Parking lot on Minna Alley (\$41,000)
345 Minna (\$75,000)
329 Minna (\$156,000)
860 Howard (\$2.27 million)⁴
172 5th St. (\$222,000)
190 5th St. (\$102,000)
926 Howard (\$196,000)
430 Natoma (\$99,000)
435 Minna (\$30,000)
44 Mary (\$10,000)
50 Mary (\$64,000)
464 Natoma (\$56,000)
447 Minna (\$348,000)
441 Minna (\$24,000)
967 Mission (\$153,000)
941 Mission (\$156,000)
939 Mission (\$189,000)
901 Mission (\$34.4 million)
425 Minna (\$134,000)
110 5th St. (\$4.89 million)
918 Howard (\$373,000)
409 Natoma (\$70,000)
912 Howard (\$91,000)
Howard St. parking lot⁵ (\$104,000)
Howard St. parking lot⁵ (\$24,000)
440 Natoma (\$93,000)
436 Natoma (\$150,000)

H. Hearst Corp. and Chronicle Publishing Co. One lot:

598 Brannan (\$1.4 million)

I. Hearst Corp. Two lots:

691 Market (\$3.09 million)
51 Third St. (\$5.29 million)

J. Hibernia Bank One lot:

Folsom and Hawthorne (\$1.3 million)

K. Hibernia Bank One lot:

Sutter and Grant (\$3.68 million)

L. Hibernia Bank One lot:

1 Jones (\$3.8 million)

Not shown on map: Six Hearst Corp. lots near Candlestick Park, bounded by Coleman and Olney, \$1543; Chronicle Broadcast Co., 1001 Van Ness, \$13.9 million; Richard T. and Angelica Thieriot, 2829 Pacific, \$191,000; Peter Thieriot, 2247 Webster, \$83,907; 11 Hibernia Bank branch offices, scattered across the city, total assessed value \$8.83 million.

Footnotes for map legend

1. Allied Properties sold all these lots in 1977. The proceeds have gone into Allied Properties Liquidating Trust and are being distributed to the shareholders in installments (see chart).
2. Among other properties, Parrott Investment owns the land under the Emporium (835 Market), which is assessed at \$14.2 million. The deYoung family interest in Parrott came through Abby Parrott Tobin, daughter of the founder, John Parrott Jr. Abby married Hibernia Bank heir Edward Tobin, and their daughter, Barbara Tobin, married Chronicle publisher Charles deYoung Thieriot (see chart).
3. See note 1.
4. This lot is jointly owned by Hearst Corp. and Chronicle Publishing Co.
5. The two parking lots with no addresses are owned by Hearst Corp. outright, as are 440 and 436 Natoma.

FOOTNOTES

1. In 1880, Charles deYoung was shot to death in the Chronicle office by Isaac M. Kallach, son of the mayor of San Francisco, the Rev. Isaac S. Kallach. According to an article by historian Irving McKee in the *Pacific Historical Review*, Charles had been the driving force behind the Chronicle, building it into the largest circulation paper in San Francisco — in no small part through fiery attacks on his opponents.

Occasionally, those attacks were judged libelous. But more often, McKee writes, they spurred acts of violence. Kallach ran for mayor in 1879 over the Chronicle's strenuous opposition. During the campaign, Charles deYoung published a series of articles detailing allegedly scandalous offenses committed by Kallach years before in Boston. When Kallach responded with attacks from the pulpit, Charles deYoung shot him, twice, in a sneak attack. Kallach recovered and won the election; deYoung escaped prosecution, but the mayor's son exacted retribution. The younger Kallach was acquitted of deYoung's murder thanks to the testimony of a witness who was

later convicted of perjury — and went on to practice law in the city.

2. KRON is, and always has been, immensely profitable for the Chronicle Publishing Company. In the late 1950s and early 1960s, when the Chronicle was catching — and then passing — the Examiner in circulation, profits from KRON were diverted to the paper. (The Chronicle's publisher, Charles deYoung Thieriot, admitted this under oath in testimony before a Senate committee studying the Newspaper Preservation Act.)

KRON has also historically followed the Ex/Chron line in news coverage, blacking out anything critical of the two papers. When Albert Kihn, a former KRON cameraman, challenged KRON's application for an FCC license renewal in 1969, the station had him tailed and investigated by private detectives. The Chronicle and Examiner both blacked out the story, as well as most of Kihn's damaging testimony.

A final point: When Gannett Newspapers bought the Oakland Tribune in 1981 and started a morning edition, Eastbay Today, the Chron was suddenly faced with a competitor strong enough financially to challenge the Ex/Chron monopoly. The Chronicle immediately put KRON up for sale, and Gannett jumped at the lucrative bait. Under FCC regulations, Gannett could not own both a TV station and a major newspaper in the same market area (the Chron owned KRON before that regulation was passed, so its ownership had been grandfathered in). Gannett announced that it would sell the Trib/Eastbay Today, which was losing money hand over fist, and buy KRON. However, shortly after the Trib was sold, the KRON deal collapsed. The Chronicle still owns the station, and its monopoly position remains safe (see Bay Guardian, Dec. 22, 1982).

3. It's unclear which family member first bought into Allied Properties, but the stock appears in several of the major estates. At his death, Charles deYoung Thieriot owned 307 shares of Allied, valued at \$3,674. In 1969, Helen deYoung Cameron owned 3,650 shares of Allied common stock, valued at \$175,200 and 2,500 shares of Allied preferred, valued at \$250,000. In 1978, the estate of Patricia Tobin Cooper owned 821 shares of Allied Properties, valued at \$34,892.

4. The marriage of Abby Parrott and Edward J. Tobin brought together two families — the Tobins of Hibernia Bank and the Parrotts of Parrott Investments. According to historical reports,

John Parrott, the head of the family, arrived in San Francisco carrying 300 Mexican silver dollars in the early 1830s. In 1835, he founded Parrott and Company, which under his son, John Parrott Jr., became Parrott Investment Co. Abby was the daughter of John Parrott Jr. and Mary E. Donohoe. Edward J. Tobin was the son of Richard Tobin, co-founder of Hibernia Bank. Edward's cousin, Joseph O. Tobin, had earlier married Constance, one of the daughters of M.H. deYoung. When Barbara Tobin, the daughter and sole heir of Abby Parrott and Edward Tobin, married Charles deYoung Thieriot, the wealth of both original Tobin brothers was integrated into the deYoung family, along with that of John Parrott.

5. Richard Miller brought impeccable downtown corporate credentials to the family. He was for many years the San Francisco division chief of PG&E; his father-in-law, Donald Russell, is chairman of Southern Pacific.

6. Stock holdings can change rapidly, especially during probate proceedings, when stocks and bonds are often bought and sold to maximize the return on a trust fund that has been established under the will of the deceased. We have limited our stock listings to securities held by the estates of family

members who died within the past 15 years. Most of the stocks listed were in the estates of George T. Cameron and his wife Helen. The Transamerica block — by far the largest single outside stockholding in any family member's estate — comes from the estate of Cyril R. Tobin, who died in 1977. The values are according to the independent audits included as exhibits in the probate filings. Charles deYoung Thieriot's estate lists 1,000 shares of Crocker National, valued at \$27,062, and 600 shares of Knight-Ridder common, valued at \$20,662. He also owned 1,933 shares of Standard Oil, valued at \$79,132, although the block listed on the chart was owned by Helen Cameron. Patricia Tobin, who died in 1976, also owned \$13,381 of stock in PG&E.

7. When William Randolph Hearst died in 1951, he left the only 100 shares of Hearst Corp. voting stock — the right to control the company — in a trust fund, with his family as beneficiaries. But in an odd twist, Hearst decreed that the trust would be put under the power of a board of directors made up of his five sons (or their chosen heirs) — and eight Hearst executives, who could not be family members. The bulk of the real Hearst wealth — a huge block of non-voting Hearst Corp. stock — was

placed in two charitable foundations, the Hearst Foundation and the William Randolph Hearst Foundation, in order to avoid estate taxes. As Lindsay Chaney and Michael Cleiply report in their book *The Hearsts*, the family managed in the mid-1970s to mobilize more than \$50 million in cash to buy back from the foundation all its Hearst stock, thereby returning to the family all the original wealth. This maneuver took place at the same time as the Symbionese Liberation Army was demanding a \$2 million ransom for Patty Hearst, daughter of Randolph A. Hearst — and the Hearst family was claiming it didn't have the cash to pay.

In one way, the Patty Hearst kidnapping proved a boon for the family, by giving the remaining heirs grounds to have a San Luis Obispo County judge seal all remaining probate records (which, the family maintained, contained information that terrorists could exploit) and keep out of the public eye a huge amount of data on the current Hearst wealth.

8. The Hearst Foundation grants to SPUR: 1975-1978, \$5,000 per year; 1979, \$10,000; 1980, \$5,000.

9. In 1981, Hearst Corp. and ABC began co-producing cable TV programs. In 1983, the venture merged with Viacom to produce entertainment shows.



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'Ex only makes no sense'

Depending on how adamant the salesperson is, you'll probably get a rejoinder that goes something like this: "Just buying an ad in the Examiner doesn't make any sense. It costs almost exactly the same to put your ad in both papers as it does to put it in the Examiner alone."

Which is absolutely true. The Examiner and Chronicle individual classified rates are designed to discourage people from putting an ad in one paper and not the other. For example, in most classifications a one-time ad in the Chron costs \$6.90 a line. The same ad in the Ex (which has a far smaller circulation) costs \$6.75, but for \$1.41 more — \$8.16 a line — you get both papers. For lower priced items, the agency salespeople often tell callers, the rate for one paper is the same as it is for both papers.

But don't give up. After all, the Examiner is 15 cents cheaper. Besides, if you keep persisting, the salesperson will break down and explain the *real* problem with placing an Examiner-only ad. You see, there is really only one classified section. They typeset all the ads together, and make up just one set of pages, which runs in the classified section of both papers.

True, if you make enough of a fuss, the agency eventually will let you run a classified ad just in the Examiner. But your bicycle won't be listed with all the other bicycles for sale. It will be all by itself, most likely somewhere near the end of the classified pages.

If you make a *real* fuss — say, threaten to sue — they may not run your ad at all. Or they may do what they did to realtor and former Supervisor John Barbagelata, (see sidebar) and run your ad alongside the death notices.

Unmentionable 'monopoly'

And yet, if you call some local radio or TV talk show host to complain about the "newspaper monopoly" in San Francisco, there's a good chance you'll get cut off the air. At the very least, the announcer will probably interrupt you to explain to the listeners that you are stating your own opinion, not a fact.

You see, some journalists in San Francisco will tell you that it's libelous — *libelous* — to refer to the Examiner and Chronicle as a "monopoly." "Monopoly," they say, implies some type of illegal price-fixing, and everyone knows there's nothing illegal about the business practices at the two daily papers. There's no newspaper monopoly in San Francisco — it's all perfectly legitimate, duly authorized by a special act of Congress back in 1970.

Right — and there was no such thing as the "Vietnam War," because Congress never declared it. And no

president of the United States violated any law by sending American troops into combat. It was all authorized by a special act of Congress.

A very lucrative arrangement

So let's skip the legal rhetoric and get right to the point. There sure as hell is a daily newspaper monopoly in San Francisco. It's been in place for 19 years — and it's very, very lucrative.

From what we can gather, based on transcripts of the 1981 Pacific Sun/Berkeley Barb antitrust trial, the Examiner and Chronicle owners have split something in the neighborhood of \$150 million — in *net* profits — since the Joint Operating Agreement was signed in 1965.

Neither company sells its stock to the public, so the records are all kept secret and it's difficult to determine just where all that money has gone. But one thing is clear: Very little of it has gone into making either the Examiner or the Chronicle a first-rate newspaper.

Instead, the Chronicle has been buying up TV stations (two in Kansas, one in Nebraska) and cable franchises (three in California, two in New Mexico). The Hearst Corporation recently bought a chain of 28 weekly papers in suburban Los Angeles, and last year announced it was joining Viacom and ABC in a new joint operation to produce entertainment programming for cable TV.

No reason to improve quality

All of which makes perfect sense. As long as the companies keep using their money to buy more newspapers and TV stations, the federal government won't ask them to pay income taxes on it. And there is absolutely no logical reason for either company to spend a nickel improving the quality of its daily news operation. Newspapers make virtually all their money from advertising. And, as the charts on pages 25 and 27 make clear, the advertising rates of the Chronicle and Examiner have very little to do with the number of households that read the papers.

Normally, advertising rates (and thus revenues) are determined to a great extent by the circulation of the paper involved. That's only logical — the more people likely to see the ad, the more an advertiser will be willing to pay.

But our research, summarized in the accompanying charts, has revealed a curious thing: Since 1966, the year after the Ex/Chron merger, the combined circulation of the two papers has dropped — from about 720,000 to about 690,000. Another key marketing figure, the papers' combined "penetration rate" (the percentage of households in the paper's primary circulation area that receive at least one of the papers), also

declined — from 51.2% to 35.3%.

Paying more for less

Yet while this was going on, the combined advertising rate has skyrocketed, from \$2.58 in 1966 to \$8.51 in 1983. (These figures are for the "open" display rate, for one line of copy, run one time only.)

In other words, in 1983 you had to pay more than three times as much as you did in 1966 for an ad that reached 30,000 less people. By comparison, over a similar period the Los Angeles Times showed a similar increase in rates, but its circulation jumped by 75%. Also, the Times offers lower rates for smaller zones.

If the Ex/Chron rates aren't based on circulation increases, what are they based on? The chart suggests an interesting trend. There are three points between 1960 and 1984 where the ad rates jumped significantly — once in 1966 (after the merger), once in 1970 (when the Newspaper Preservation Act was signed) and again in 1981 (when the final antitrust case against the Ex/Chron ended in a victory for the monopoly combine).

Apparently, the papers have hiked their rates every time a major potential challenge against price-fixing has been eliminated. Circulation increases have had nothing to do with it. And since the papers have the market locked up, advertisers must continue to pay the new higher rates, whether the papers were increasing their readership or not.

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The Barbagelata File

John Barbagelata never much liked the San Francisco Examiner, and after the paper refused even to interview him in 1975 when he ran for mayor of San Francisco (and almost won), his disdain for the paper became a passion.

Barbagelata, a West Portal realtor who has been a city supervisor, decided that year he would no longer put his classified real estate ads in the city's afternoon paper. It seemed like a simple decision, but, as he recalled recently, it quickly turned into a bitter dispute. Before it was over, his ads had been stuck beside the Chronicle's death notices, the paper was out \$5,000 and the whole monopoly arrangement almost wound up in court.

Barbagelata, now retired from active politics, told the Bay Guardian he had called the San Francisco Newspaper Agency, which handles advertising for both the Examiner and Chronicle, and told them that he wanted his ads published only in the Chronicle.

"They told me the rates are almost the same, that it

costs about as much to advertise in the Chronicle alone as in the Chronicle and Examiner," he explained. "I told them I didn't care. I don't want my name in the Examiner."

Finally, he said, the agency sales representative explained the facts of life. "They told me I have to advertise in both papers, because they make up the classified section together."

"I told them, 'That's your problem.'"

Eventually, he said, the agency took his Chronicle-only ads. "They labeled my ads 'Real Estate' and then they put it next to the death notices," he recalled. "My clients were a little disturbed."

After Barbagelata threatened to sue the agency for antitrust violations, he said, "They told me they wouldn't take my credit any more, and that I would have to pay for the ads in advance, in cash."

"By that time," he remembered, "my total bill was around \$5,000. I refused to pay. Eventually, they agreed to write off the \$5,000 if I wouldn't sue."

"So now I don't advertise in either paper," he concluded.

— T.R.

CHRONOLOGY

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evil, speak no evil coverage of all events involving the legality and propriety of their Joint Operating Agreement and adverse publicity involving either paper, KRON (the Chronicle's TV station) KRON or the JOA.

They either black out the news, or water it down. For example, in the Tucson case, the papers either ignored the story totally or omitted the local angle.

● Immediately after the merger, the Examiner and Chronicle put together a joint advertising rate that is virtually double what either paper charged before the merger.

1966: JOA publishers, recognizing they are operating in violation of antitrust law, plan to

nullify the Tucson decision and retroactively legitimize their illegal corporate behavior.

Their strategy is to lobby for a special act of Congress. The bill is the "falling newspaper" act designed to provide retroactive, present and perpetual exemption from the antitrust laws — an exemption allowed no other industry — so the publishers can continue to pile up monopoly profits without fear of prosecution or competition.

● In early October, the San Francisco Bay Guardian launches its first edition as an independent, locally owned and controlled newspaper, under the masthead: "It's a newspaper's duty to print the news and raise hell."

The Guardian's first big target in its prototype issue is the Ex/Chron JOA agreement, portrayed in a cartoon as two ostrich heads coming out of a

single body, marked with a huge dollar sign: "What the public now has in San Francisco, as it does in all but 55 or so of some 1,461 cities with dailies, is a privately owned public utility that is constitutionally exempt from public regulation, which would violate freedom of the press. This is bad for the newspaper business and this is bad for San Francisco."

1967: The JOA publishers, led by the Chronicle, Hearst and ten chain publishers involved in 22 JOAs involving 44 newspapers in 19 states and 119 congressional districts, take their lobbying campaign for the "falling newspaper" act to Washington. Hearings are scheduled before the antitrust subcommittees of the House and Senate.

● On July 27th, Chronicle Publisher Charles deYoung Thieriot,

testifying before the Senate Antitrust Subcommittee, takes the poverty oath and testifies he agreed to the JOA merger with Hearst because he feared the Chronicle might be forced out of business.

As to whether the Chronicle was making or losing money prior to the merger, Thieriot testifies, "Although I do not know the dollar amounts of the losses sustained by Hearst in maintaining two San Francisco newspapers during the years preceding 1964, I am sure they were substantial. The Chronicle's losses in those years were of more modest proportions, but were nonetheless constant. Except for the year 1956, when newspaper operations showed a small profit, the Chronicle had not been operating profitably, although by 1964 the Chronicle was about

breaking even." (In the same spirit, Examiner Publisher Gould testifies that San Francisco was a case of "three failing newspapers.")

Then, after taking the position that the Chronicle had suffered "constant losses" in the years 1957 to '63, Thieriot says he was motivated to merge for fear of his paper's life:

"If Hearst had determined that it was willing to devote the amounts of money that it would have cost to maintain its operations in San Francisco and such additional amounts as might have been necessary to attempt to regain the lead in circulation, I do not know whether the Chronicle would have had enough financial energy to meet this increased economic pressure."

Thieriot also acknowledges, under questioning by subcommittee counsel Jerry S. Cohen,

that the Chronicle Publishing Company has used the profits of its television franchise, KRON-TV, to "sustain the operation of the newspaper" in its battle with the Examiner.

(Although Thieriot and Gould are seeking relief and exceptional, unprecedented government subsidies, they do not publicly produce, then or later, any financial statements to back up their "falling newspaper" claims. The Newspaper Guild's Charles Perlik later notes acidly that the National Labor Relations Board has ordered employers to open their books to unions when employers have pleaded financial inability to meet union proposals and the courts have upheld the NLRB.)

The day after Thieriot and Gould testify, J. Hart Clinton, publisher of the San Mateo

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OVERCHARGING THE PUBLIC

Fremont Older, the crusading turn-of-the-century San Francisco journalist, recalled in his autobiography the details of how a collusive agreement between two city newspapers, the Bulletin and the Evening Post, bilked San Francisco taxpayers out of thousands of dollars.

According to Older, the Evening Post (owned by Southern Pacific) and the Bulletin (where Older worked) had agreed to rig the bidding on the contract to publish the city's legal notices. The contract was lucrative — by law, the city had to publish in a newspaper of general circulation advance notice of its public hearings, city contract offers, probate actions and the like.

In a classic piece of 19th century railroad baron logic, Southern Pacific's representative on the Post concluded that it was senseless to compete with the Bulletin when both papers would be better off by agreeing in advance to submit inflated bids — and then splitting the profits down the middle.

It was the sort of move that made SP a legendary power in the state — and later spurred reformers to pass tough laws designed to shatter the giant "trusts." Today, if two ostensible competitors were found to have rigged a city contract bid, the contract would be voided and the responsible parties thrown in jail.

Letter of the law

Or would they? Let's take a look:

In 1968, the city of San Francisco was putting out \$135,000 a year to publish legal notices in the San Francisco Examiner. By law, the city's legal contract had to be awarded to a daily newspaper with a city circulation of 8,000 or more. Then — as now — there were exactly two such papers in San Francisco. The Examiner had entered the low bid.

But when the Bay Guardian started making inquiries, it quickly became clear that the Ex was going to extraordinary lengths to avoid giving the city notices any more circulation than it absolutely had to and that the "competitive" bidding process was hardly a cutthroat ordeal.

The legal notices, it turned out, were published in just one edition of the paper. And although the Examiner easily met the minimum in-city circulation requirements, it

printed only 9,000 copies of the edition in which the legal notices appeared. Those 9,000 newspapers were distributed throughout Northern California. None were home-delivered and it was impossible to say how many eventually went home with San Francisco residents.

Even more curious, a check of the two bids showed a remarkable pattern. In 1965, for instance, the Examiner won the contract with a bid of 39 cents per line. The Chronicle had bid 40 cents. The next year, the winning bid — again from the Examiner — was 42 cents. The competing bid: 44 cents.

After the story came out, the legal notices began to appear in all Examiner editions. But the bidding process remained, for all practical purposes, the same.

'Only one bid'

In 1977, Sup. Quentin Kopp sponsored a successful charter amendment that changed the requirements for legal notice publication. Under the amendment, papers such as the San Francisco Progress, which publishes three days a week, had the right to bid on almost all of the legal ads. (State law requires the city to announce Board of Supervisors meetings on two consecutive days.)

But the Ex/Chron bids are no more competitive than they were in 1968. The 1983-84 Ex bid for Board notices was \$5.07; the Chron bid \$5.21.

What's more, numerous state and federal agencies still are victims of the San Francisco newspaper monopoly.

For instance, in Northern California the state Controller's Office Division of Unclaimed Property publishes twice yearly inventory lists in papers around the state. In recent years, the cost of advertising in the Chronicle has become so exorbitant that in 1982 the office stopped using the Chronicle. "They priced us out of the market," said assistant division chief Lea Garcia. "We tried to get them to come down on their price, but they were very firm."

"We'll do anything to avoid that combine," added John Jervis, the assistant deputy controller. "They really have outlandish rates for their circulation." Since 1964, Jervis said, the state has paid roughly \$700,000 to the Chronicle.

— Sam Quinones

18TH ANNIVERSARY SPECIAL UP AGAINST THE MEDIA MONOPOLY

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A September 1964 letter from Wells Smith, then a top Hearst executive in San Francisco, to G.O. Markuson, executive vice president of Hearst Newspapers in New York, makes the point painfully clear. The letter, written one month before the Ex/Chron JOA was first signed, came out during hearings on KRON's application for a license renewal in 1969. It concerned the forthcoming merger pact.

Wrote Smith, "We should not be competitive with respect to news content in the future. What would be the advantage except for prestige? We certainly do not want one paper to over-balance and out-run the other, since both sides are to share fifty-fifty in the operating results."

It may be hard to pin down exactly where all the Ex/Chron millions finally wind up, but it's no mystery where the money comes from in the first place. It comes out of your pocket.

Almost impossible to avoid

If you live in San Francisco, it's virtually impossible to avoid becoming a victim of the Ex/Chron monopoly. Selling your car? You have to sell it in both newspapers, at a ridiculously inflated rate. (You'll never get the papers, but according to an Oakland Tribune study, a full 50% of the Examiner's readers also read the Chron — so right away, you're paying to reach a lot of the same people twice.) Of course, you're also paying to sell your car everywhere that either paper is distributed.

In the Los Angeles Times, classified advertising is available in zoned editions. Thus, an advertiser selling her bicycle in the San Gabriel Valley doesn't also have to pay for her ad to be published in the San Fernando Valley. The cost per line for an ad that reaches all 1.5 million L.A. Times readers is \$8.65 — but an ad that is published only in the San Gabriel Valley goes for \$2.25 per line.

In the Times' Westside editions, which reach 172,000 readers, a classified ad costs \$2.35 a line. By comparison, the San Francisco Examiner, which reaches 156,000 people, charges \$6.75 a line for the same ad.

No jobs, no ads

That's just one side of the coin. After all, if you have to get rid of that car, you can always sell the old heap to a used car lot in the Mission, or stick a sign in the window and hope it gets noticed.

But suppose you're looking for a job — and you don't want to work for a huge downtown corporation. Say you're a skilled artisan, and you suspect there are half-a-dozen small shops that can use someone like you.

Well, you might find that there are no jobs of that sort listed in the Ex/Chron Help Wanted section. Of course, it may be the case that nobody is hiring in your line of work. But it's also entirely possible that the shop of your dreams has an opening right now, but didn't advertise in the Ex/Chron for the same reason that you couldn't sell your car through the papers: it simply couldn't afford the rates.

Small advertisers priced out

This is not idle speculation. And it's not limited to a handful of odd-lot job seekers. It also affects your access to many small businesses and advertisers in San Francisco.

newspaper operations in the years subsequent to 1958."

Barnett, summing up the contradictions in the Thieriot testimony, testifies in 1969: "The question arises: What kind of man, what kind of company, would submit to Congress, within the space of six months, two affirmations so fundamentally at war with each other?"

Thieriot and Gould both testify without qualification that the San Francisco JOA was preceded by advice from then-Attorney General Nicholas de B. Katzenbach that Thieriot testifies, "It was not the Department's intent to institute an antitrust action against implementation of the proposed plan." Thieriot also testifies that, "The Justice Department gave us a clearance letter."

According to Gould, "The Department advised us that it

would not sue to block the proposed joint arrangement." Neither Thieriot nor Gould produces or quotes from the "clearance" letter.

● Nine months later, the Justice Department contradicts the Thieriot/Gould testimony. Donald F. Turner, assistant attorney general in charge of the antitrust division, testifies that the San Francisco arrangement was "not cleared." To nail down the point, he places into the record for the first time the actual Justice Department statement to the Examiner and Chronicle (see 1965 for full text).

The statement shows that in their Senate testimony, Thieriot and Gould had omitted the key word "present" from the Department's statement that it had no intention to bring suit against the agreement. They had also ignored the entire second para-

One of the plaintiffs in the 1975 antitrust suit against the Examiner/Chronicle JOA was an employment agency, Cadillac Associates. The agency alleged that the price-fixing practices of the papers prevented it from advertising all its job openings. And in 1982, the San Francisco Board of Realtors (hardly a radical bunch) made an organized effort to pull its real estate ads out of the Ex/Chron, on the grounds that the prices were prohibitive. (This JOA phenomenon is not limited to San Francisco. Several years before the U.S. Justice Department decided to challenge a JOA arrangement in Tucson, Arizona, a group of Tucson small merchants filed suit, claiming their ability to do business was injured by exorbitant advertising rates in the local monopoly papers.)

Of course, for the giant advertisers — Macy's, the Emporium, Neiman-Marcus — monopoly-inflated rates are not a serious problem. They are simply a cost of doing business. Like all other costs, the stores pass it along to their customers.

Unprecedented exemption

The advertising monopoly has another very interesting effect, one which runs directly counter to the entire argument made by the publishers who backed the Newspaper Preservation Act of 1970, which made the Ex/Chron merger (and 20 others) retroactively legal.

As outlined elsewhere in this issue, the Newspaper Preservation Act granted the newspaper industry an unprecedented exemption from antitrust restrictions. Proponents (mostly large newspaper chains) argued successfully that the act was needed because competition from the electronic media threatened to force dozens of major papers out of business. By allowing two dailies in a city to merge printing and business operations, fix prices and pool profits, the chains asserted, papers could be saved from extinction and a "diversity of editorial voices" could be preserved.

However, in San Francisco, the opposite has occurred.

Eliminated future competition

Simply put, by jacking up their advertising rates to artificially high levels, the Examiner and Chronicle have effectively guaranteed there will be no future competition in the daily newspaper market. They've also made it a whole lot more difficult — and sometimes impossible — for smaller papers to publish in San Francisco.

The reason for this, as laid out in the 1975 Pacific Sun/Berkeley Barb/Cadillac Associates antitrust suit against the Ex/Chron, is that major advertisers almost always make the largest circulation daily papers the first priority in their advertising budgets. If the daily rates are too high, those businesses have no money left to advertise in other, smaller papers.

"Price fixing" is the term economists use for this practice, and it was outlawed in the Sherman Antitrust Act. Yet, every attempt since 1970 to stop JOA papers from doing this has failed. Courts have held, as they did in the Sun case, that the Newspaper Preservation Act gives newspapers a blanket exemption from all antitrust restrictions, and the only thing the papers have to do to obtain a JOA is to prove that the merger was necessary to prevent one of the two from failing.

'Inherently unfair advantage'

J. Hart Clinton, an antitrust attorney who is also publisher of the San Mateo Times, explained the flip side of this in his 1967 testimony before the Senate antitrust subcommittee. The merger, he asserted,

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CHRONOLOGY

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Times and an antitrust attorney with the San Francisco firm of Morrison & Foerster, challenges Thieriot's testimony.

He charges that the "failing status" of Hearst newspapers was the result not of natural economics (of "destructive competition," in Thieriot's phrase), but of the Chronicle's use of its profits from its government franchise, KRON-TV, to buy up expensive circulation in the suburbs, thereby gaining the top position in the morning market and driving the Examiner "to the wall."

Clinton also places into the record the July 1965 balance sheet of the Chronicle Publishing Company, only 60 days before the merger. The

statement shows the Chronicle has \$7 million in cash, of which \$4,600,000 was cash on hand and \$2,400,000 was in certificates of deposit. The Chronicle is making about 15% on its investment, Clinton maintains.

On Dec. 11th, Thieriot responds to Clinton's charges in a letter to the subcommittee. The Chronicle's fortunes, it turns out, have taken a sudden and dramatic turn for the better. Instead of those "constant losses" from 1957 to 1963 that had prompted his fears for the Chronicle's survival, Thieriot now claims that Chronicle newspaper operations showed "a profit for each year commencing with 1959 through September 1965, with the single exception of 1962." He further claims that "revenues from Chronicle's television station were not used or required to be used to sustain

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Thieriot and Gould both testify without qualification that the San Francisco JOA was preceded by advice from then-Attorney General Nicholas de B. Katzenbach that Thieriot testifies, "It was not the Department's intent to institute an antitrust action against implementation of the proposed plan." Thieriot also testifies that, "The Justice Department gave us a clearance letter."

According to Gould, "The Department advised us that it

would not sue to block the proposed joint arrangement." Neither Thieriot nor Gould produces or quotes from the "clearance" letter.

● Nine months later, the Justice Department contradicts the Thieriot/Gould testimony. Donald F. Turner, assistant attorney general in charge of the antitrust division, testifies that the San Francisco arrangement was "not cleared." To nail down the point, he places into the record for the first time the actual Justice Department statement to the Examiner and Chronicle (see 1965 for full text).

The statement shows that in their Senate testimony, Thieriot and Gould had omitted the key word "present" from the Department's statement that it had no intention to bring suit against the agreement. They had also ignored the entire second para-

graph, which supports the description of the letter by Turner in Senate testimony in April 1968:

"... those agreements were not cleared. The parties in both cases were told that whereas we would not take action to enjoin their proposed arrangement at that time, that the whole matter would be left open pending a study of the whole situation, and specifically pending the outcome of [the Tucson] litigation."

1968: The Poor People's Campaign comes to Washington, but meets a chilly reception. Members of Congress (and many newspapers) accuse campaign leaders of wanting handouts and government subsidies.

Plaintiffs in four treble damage antitrust actions, including the old Weinstein's department store and several

other retail shops, continue to press claims for millions of dollars against the Examiner/Chronicle. They allege they were put out of business because of the monopoly-inflated advertising rates imposed by the JOA after the merger. The claims would be nullified under the Newspaper Preservation Act.

● The newspaper unions strike the Examiner/Chronicle for several weeks, seeking their cut of the monopoly profits accruing from the 1965 merger. They get substantial increases in pay and benefits and continue to get them through the next 14 years, during which time no strikes or serious work stoppages occur.

During the strike, the unions persuade Rep. Phil Burton (D-SF) to stand in front of the Ex/Chron offices at 5th Street and Mission and call for a federal investigation.



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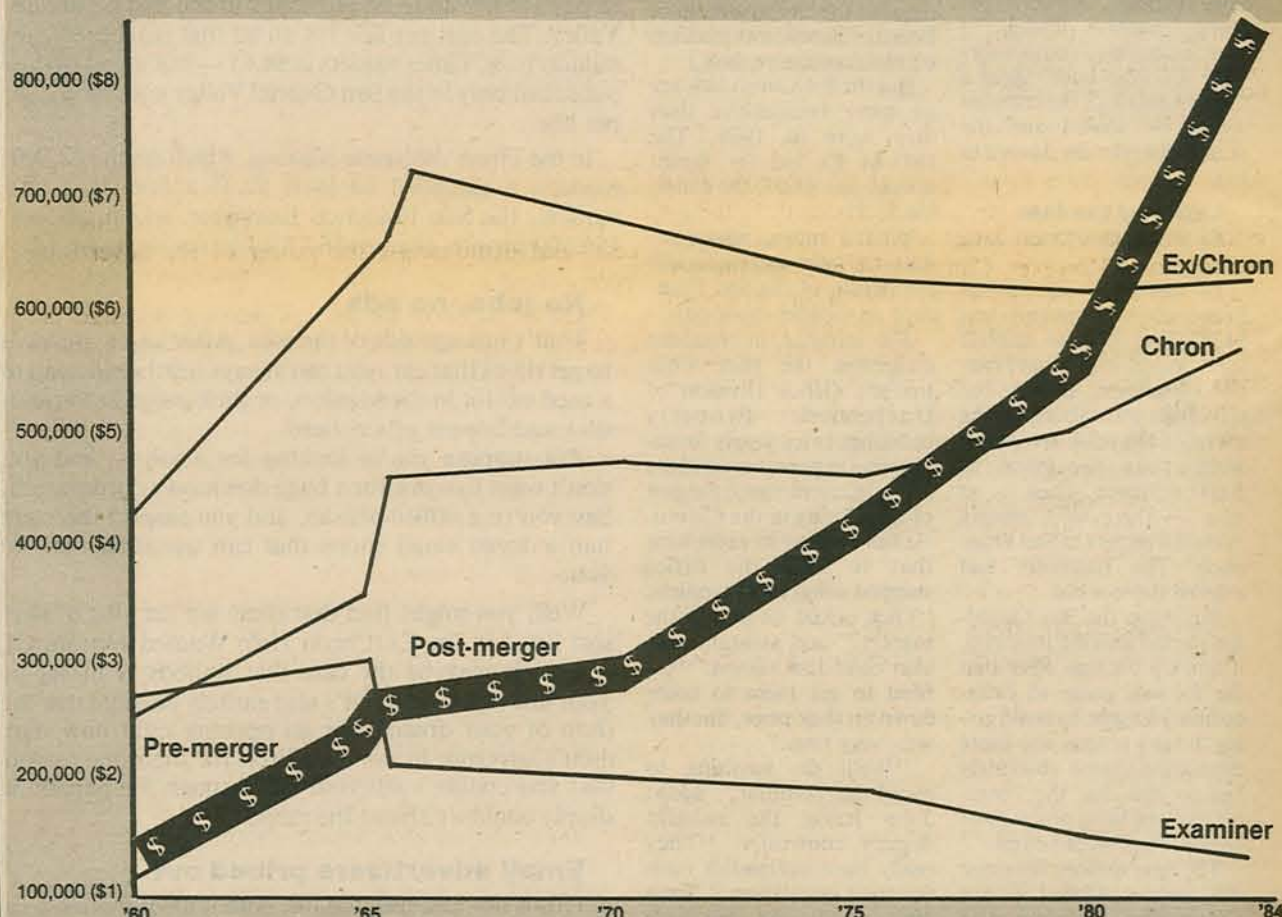
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EXAMINER/ CHRONICLE CIRCULATION AND AD RATES 1960-1983

This graph shows the relationship between the circulation and ad rates of the Examiner and Chronicle before and after their 1965 merger. Prior to the merger, hikes in the papers' ad rates closely parallel circulation increases, as is usually the case with newspapers. But after 1965, the graph suggests, advertising rate increases for the two papers have little to do with rises in circulation.

If circulation increases don't explain higher ad rates, what does? The graph shows an interesting trend. There are three points on the graph where ad rates jump: in 1965, immediately following the merger; in 1970, when the Newspaper Preservation Act was signed; and in 1981, when the Pacific Sun lost its antitrust case against the Ex/Chron. This evidence suggests the two papers hiked their ad rates each time the merger cleared an additional legal or political hurdle.

And the end result has been that by 1983 an advertiser had to pay more than three times as much as in 1966 to reach fewer readers.



CHRONOLOGY

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tion of the JOA. But once the strike is settled, nothing more is heard from Burton or the unions about an investigation. Little more public criticism of the JOA or its adverse effect on the community and local journalism is heard from the unions.

● On Sept. 8th, Al Kihn, a former KRON-TV cameraman, sends the first of several letters of complaint to the FCC in Washington, laying out the journalistic and corporate transgressions of his former employer and alleging that KRON was slanting the news.

The letters ultimately help force the FCC to hold license renewal hearings on KRON.

1969: The Shopping News/

Argonaut, a shopper once owned and supported by 17 downtown department stores, is the first casualty of the JOA's destructive joint ad rate, which begins scooping up even more of the local print ad revenue. It dies because virtually all its old downtown advertising is now locked into the Ex/Chron.

● On March 10th, the Supreme Court upholds by a 7-1 vote the district court decision on the Tucson JOA. Justice Douglas writes that the JOA "in purpose and effect monopolized the only newspaper in Tucson in violation of Section 2 of the Sherman Act." Douglas pointedly notes that the "restraints on competition" imposed by the Tucson JOA "comport neither with the antitrust laws nor with the First Amendment." He concludes his opinion

with a quote from the Supreme Court ruling in the 1945 Associated Press case:

"Freedom to publish means freedom for all and not for some. Freedom to publish is guaranteed by the Constitution, but freedom to combine to keep others from publishing is not. Freedom of the press from governmental interference under the First Amendment does not sanction repression of that freedom by private interests. The First Amendment affords not the slightest support for the contention that a combination to restrain trade in news and views has any constitutional immunity."

● Divestiture of the Star, ordered by District Judge James A. Walsh, would be a certainty and 21 other JOAs would be imper-

iled were it not for the "failing newspaper" bill the publishers had designed to meet the likelihood of a court defeat. The JOA publishers transform the "failing newspaper" act into the more politically respectable "Newspaper Preservation Act" and begin lobbying for emergency passage.

● On March 27th, Kihn notices he is followed by two cars. His followers turn out to be the private detectives under hire by the Chronicle seeking to gather adverse information about Kihn in connection with KRON's license renewal hearings, according to a Bay Guardian story, "The Dicks from Superchron."

All other media in town, including the Chronicle and its "independent and editorially competing" JOA partner, the Ex-

had allowed a price-fixing scheme that gave the two papers an inherently unfair advantage over nearby suburban dailies in attracting major national and regional ads.

To demonstrate his point, Clinton produced promotional materials the Examiner and Chronicle had been using since the merger to attract national and big local accounts. The flyers, reproduced in the transcript of the subcommittee hearings, revolved around an advertising figure known as the "mil line rate."

Clinton explained that the mil line rate is the key figure major advertisers use when evaluating the cost effectiveness of a newspaper or magazine. The rate represents the published cost per line of reaching a million readers (a "line," in typographical terms, is equal to one fourteenth of a column inch). There are two ways to achieve a lower — and thus more attractive — mil rate: Cut advertising prices or increase circulation.

Special 'combined' rate

After the merger, Clinton said, the Examiner and Chronicle both increased their mil line rates. At the same time, the Examiner's circulation dropped dramatically (as it switched from morning to afternoon publication), while the Chron's remained roughly the same. The result, he explained, should have been sizeable increases in both papers' mil line rates — which might have scared off big advertisers.

However, because of the merger arrangement, the Examiner and Chronicle were able to offer a new option to advertisers: They could put their ads in both papers, at a special "combined" rate. Taken individually, the Chronicle's mil rate in 1966 was \$4.67, the Examiner's \$6.99. However, because they were able to offer advertisers a package deal with a combined circulation of more than 700,000, the two were able to claim a mil rate of just \$3.61. Had they not been exempt from antitrust restrictions, Clinton declared, the cost to an advertiser of reaching the 700,000-plus readers of both papers would have been \$11.6 — the Chron's individual rate plus that of the Examiner.

The San Mateo Times offered a mill rate of \$6.53, which would have been lower than the combined Ex/Chron rate had the merger not occurred. In fact, it would even have been lower than the rate of the Examiner alone. However, Clinton said, after the merger, several big retailers with stores in both San Francisco and San Mateo told him they would have to reduce their lineage in his paper. Clinton explained that the advertisers told him "they were being 'gouged' or 'robbed' by the high advertising rates of the San Francisco newspapers... they felt they had to take advertising space in the San Francisco Chronicle, because this newspaper holds a monopolistic position in the morning newspaper field, and that after they got through paying the high and excessive rates... there was very little left in the budget for suburban newspaper advertising."

Rate manipulation 'deadly'

In 1969, during the later round of hearings, Barnett made the point even clearer. He asserted that while the San Mateo Times had lost some revenue, it appeared to be able to survive the merger. Like most suburban papers, the Times had substantial revenue sources within its own community — advertisers who had little interest in reaching readers in San Francisco or other outlying areas.

But, he testified, "The manipulation of rates is far more deadly... for any publisher brash enough to try to compete with the combination in the metropolitan city itself, [where] large metropolitan advertisers... are

locked into both of the combined papers by the combination rate."

"Advertisers needing the Chronicle," Barnett testified, "had little choice, after paying its monopoly-inflated rate, than to take the 'bargain' combination rate giving them the Examiner as well. They would have had to pay much more... for some new paper that might otherwise enter the market."

Indeed, Barnett's analysis was backed up by evidence. In 1969, a San Francisco weekly called The Argonaut became the first victim of the merger. At the time of the merger, The Argonaut appeared to be quite healthy. Formerly a limited-circulation shopper, it had been purchased in 1966 by James McClatchy, whose family owned the McClatchy newspaper chain. McClatchy had increased the news content of the paper and started to publish twice weekly. His paper was distributed to 200,000 homes.

McClatchy had a staff of 150 full- and part-time employees, and, equally importantly, he had the money to support a promising but as-yet unprofitable new paper.

However, even McClatchy couldn't compete with the new monopoly. After three frustrating years, he decided that no matter what his circulation or how good his editorial content, he would never be able to match the Ex/Chron's totals. And the major advertisers in town made it clear that they could not afford to advertise in both the Ex/Chron combine and his smaller paper. Thus rather than promoting diversity, the Newspaper Preservation Act had snuffed the possibility of a true "diversity of voices" in San Francisco's daily market.

Restrictions on political ads

The monopoly newspaper arrangement in San Francisco also controls advertising policy — and thus exerts a not-so-subtle influence over local political groups — especially groups advocating views out of line with those espoused by the Examiner and Chronicle.

Through their advertising policies, the two papers can decide which ads can run and which can't and under what classification (and so under what terms) ads will be placed.

There are plenty of examples that illuminate this process, and demonstrate the power of the advertising policy cartel.

Perhaps the most curious recent case involved the Queen of England, Liberty House Stores and a group of local Irish nationalists. The dispute centered around the queen's March 1983 visit to San Francisco. In the week preceding the event, two local organizations contacted the Newspaper Agency. Their basic message was similar: They wanted to buy full-page ads in the Chronicle to coincide with the queen's arrival.

Changing demands

But the treatment the two groups received was very different. John Maher, the head of a local Irish Republican Committee, explained the situation to the Bay Guardian. The week the queen arrived, Maher said he called the Ex/Chron Agency in advance. The agency quoted him a rate of \$11,000 for a single-time full page ad to run on March 1st. Maher was told, he said, that the ad copy and a check for the full amount were due in the Newspaper Agency office by Friday, Feb. 25th.

When Maher arrived at the agency Thursday afternoon with the ad — which proclaimed in huge letters that the queen was "as welcome as George III" — the situation suddenly changed. The agency told him it had

avoids either admitting or denying the charge and adds that he won't comment further on the matter.

Less than a week later, Thieriot writes the Senate subcommittee a letter in which he admits the charge, confirms that the Chronicle was responsible for hiring private detectives to investigate Kihn and Streeter, denies none of the detectives' reported tactics and defends as "entirely reasonable and proper" the use of private detectives against anyone "engaged in a course of conduct plainly antagonistic to KRON-TV." This statement, which contradicts his earlier statement in the Chronicle that he would comment no further on the charges, is not reported in the Chronicle. The "competing" Examiner also reports nothing — neither the

original private detective story, nor the Washington testimony, nor the Thieriot admission.

This story of non-coverage is but one example of how the Examiner/Chronicle suppresses and obfuscates the coverage on elements of its corporate behavior: the "failing newspaper" lobbying and hearings, the Tucson case and the KRON license renewal hearings. ● Rep. Emanuel Celler (D-NY), chairman of the Judiciary Committee and its antitrust subcommittee delays action on the bill on the grounds that more than half of the 44 papers in JOAs must submit financial reports to justify their request for government subsidies. "It's like pulling teeth," he tells the Washington Post.

The information is finally delivered on April 6, 1970. It is

18TH ANNIVERSARY SPECIAL UP AGAINST THE MEDIA MONOPOLY

decided the ad was "national" in scope, not local. That meant the cost had jumped to \$19,000. The agency also decided it was a "political" ad, which meant the payment would have to be made in cash. When the ad finally ran (thanks to a long night of fundraising), the words "political advertisement" were plastered above it.

Liberty House had no such problem. The store's ad, which ran March 3rd, bore the headline, "A Salute to Her Majesty." There was no tag line identifying it as a political advertisement.

continued next page

Ex/Chron circulation and market penetration

This chart shows how the circulation and market penetration* of the Examiner and Chronicle, separately and combined, have dropped over the past 18 years since the merger.

The figures are for San Francisco, Marin, San Mateo, Alameda and Contra Costa counties — the five counties the papers define as their primary circulation area.

Even though population has increased 20% in this primary circulation area over the past 18 years, the Examiner and Chronicle have, separately or combined, produced no increases in Market penetration. Instead, the total circulation of the two papers has decreased 7% in all five counties combined. Overall, the market penetration in

these counties has declined by more than 15%.

In San Francisco, the Examiner and Chronicle, separately and combined, have dropped substantially in circulation and market penetration. The Examiner is down 54,989 in circulation and 16% in market penetration. The Chronicle is down 12,516 in circulation and 21% in market penetration. The combined Examiner/Chronicle is down 67,505 and 18.1% in circulation.

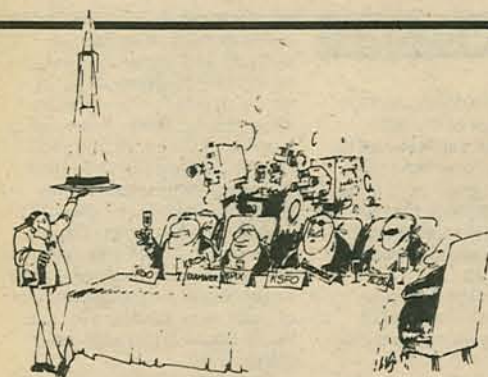
In sum, the chart shows that the two papers combined now reach 35.3% of the houses in their primary circulation area, compared to 51.2% in 1966. And as Chart 2 on page 27 show, the Examiner/Chronicle's market penetration rate compares unfavorably with many other metropolitan daily newspapers.

★ Footnote: Market penetration is the percentage of households in the primary circulation area that buy at least one of the papers regularly.

	Examiner		Chronicle		Ex/Chron	
	Circ.	Market Pen.	Circ.	Market Pen.	Circ.	Market Pen.
San Francisco						
1966 ¹	135,188	42.8%	130,518	41.6%	265,706	84.4%
1984 ¹	80,199	26.8%	118,002	39.5%	198,201	66.3%
Change	-54,989	-16.0%	-12,516	-2.1%	-67,505	-18.1%
San Mateo						
1966	32,400	22.5%	56,600	39.4%	89,000	61.9%
1984	25,318	10.6%	68,690	28.9%	94,008	39.5%
Change	-7,082	-11.9%	+12,090	-10.5%	+5,008	-22.4%
Marin						
1966	6,500	11.3%	26,700	46.8%	33,200	58.1%
1984	7,430	7.9%	33,465	35.4%	40,895	43.3%
Change	+930	-3.4%	+6,765	-11.4%	+7,695	-14.8%
Alameda						
1966	13,000	3.9%	74,600	22.1%	87,600	26.0%
1984	12,891	2.9%	76,542	17.2%	89,433	20.1%
Change	-109	-1.0%	+1,942	-4.9%	+1,833	-5.9%
Contra Costa						
1966	4,100	2.7%	32,600	22.1%	36,700	24.8%
1984	8,431	3.2%	43,893	16.7%	52,324	19.8%
Change	+4,331	-0.5%	+11,293	-5.4%	+15,624	-5.0%
TOTALS						
1966	191,188	19.2%	321,018	32.1%	512,206	51.2%
1984	134,269	10.0%	340,592	25.3%	474,861	35.3%
Change	-56,919	-9.2%	+19,574	-6.8%	-37,345	-16.0%

1. 1966 circulation and penetration figures are based on publishers' statements reported to the Audit Bureau of Circulations for audit periods ending 3/31/66 and 9/30/66.

2. 1984 figures were taken from American Newspaper Markets' Circulation '83/84.



aminer, fail to pick up the story. However, Kihn and the story's author, Guardian publisher Bruce B. Bruggmann, are invited to testify at the new round of hearings on the publishers' bill in Washington, D.C.

On June 12th, Kihn and Brug-

mann testify about Chron/KRON's use of private detectives to tail and probe the private lives of Kihn and Blanche Streeter, the two parties opposing KRON's license renewal. The Chronicle publishes a short story in which publisher Thieriot

classified as "confidential" and kept in the Judiciary Committee files, where it will not be available for public scrutiny.

Some members of the committee and staffers who have seen the documents comment that they fail to prove overriding need for relief from antitrust prohibitions. Rep. Abner J. Mikva (D-Ill.) tells the National Journal that the confidential information "shows more black figures than red ones."

1970: As the National Journal sums it up, "Lobbying overwhelms opponents of Newspaper Preservation Act." The publishers, facing an impending court-directed divestiture deadline on the two JOA papers in Tucson, push the Senate to a 64-13 vote and the House to a 292-87 vote.

The biggest margin comes from states and districts with JOAs and JOA-chain newspapers, as 85% of the voting members from districts with an interest in the legislation favor passage, according to a National Journal tally.

Some congressional opposition from Los Angeles develops in reaction to the vigorous lobbying by the Chronicle and the way the paper treats Rep. Jeffery Cohelan, who has represented the 7th District (Berkeley/Oakland) for six terms but is defeated in the June 2nd Democratic primary.

One California representative informs the National Journal that Cohelan told Democratic members of the California delegation that he had been called by then-Executive Editor Scott Newhall, who wanted Cohelan to

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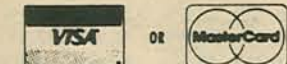


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A newspaper agency representative, Pat Silva, refused to say how much the store had paid, but she confirmed that Liberty House was billed at the standard contract rate — considerably less than the \$11,000 that Maher had originally been quoted.

Silva also explained that, unlike the Irish group's ad, the Liberty House ad was deemed to be local in scope — and completely apolitical. "All Liberty House did," she said, "was welcome the queen."

Paying for politics

The latent politics of the Newspaper Agency also creep into the classified section. In May, 1984, the California League of Conservation Voters tried to place a help wanted ad for political canvassers as it had done many times in the past. The ad was to read: "If you've had enough of Reagan, and want to get the pollution out of politics, then help mobilize the environmental vote." That, apparently, was too hot for the Ex/Chron to handle. As CLCV's canvass director, Marguerite Young, explained to the Bay Guardian, the agency first told her it found the ad "libelous," and said the copy would have to be toned down. A Bay Guardian story that week quoted California Newspaper Publishers Association attorney Terry Francke as saying the CLCV statement seemed well within the acceptable boundaries of free speech. Besides, Francke said, the president of the United States was not likely to sue a paper for libel over anything — and certainly not over a classified ad. The next week, the agency changed its story. Young was told that the ad was "political," and not strictly a "help wanted" notice. That meant the group would have to pay a premium rate, in cash, a week in advance of publication.

Instead, the league rewrote the ad, omitting any specific reference to the president, and the agency let it run.

Column refused . . .

When all is said and done, however, the incident that provides perhaps the most telling insight into the attitudes embodied in the Examiner/Chronicle monopoly took place more than 14 years ago. It was July 1970. The House of Representatives had just approved the Newspaper Preservation Act and sent it on to President Nixon. Nicholas Von Hoffman, who wrote at the time a syndicated column that appeared in the San Francisco Chronicle among other papers, wrote a scathing column about the act. Von Hoffman denounced the publishers behind the bill as being "as scurvy as the special interests they love to denounce."

Von Hoffman's column also referred specifically to the San Francisco Examiner and Chronicle. He stated that the pair were "so bad that the best and most reliable periodical in the city is the Bay Guardian, a monthly put out by one man and a bunch of volunteer helpers."

. . . even as an ad

The Chronicle refused to publish the column, so a few days after it was scheduled to run, the Bay Guardian's office manager approached the Examiner/Chronicle advertising department. The office manager attempted to buy space — a four-inch by 16-inch advertisement, at the rate of \$2,408 — to make Von Hoffman's comments available to the readers of both daily papers.

The San Francisco Newspaper Agency refused to accept the ad. Even for \$2,408, cash up front, the Examiner and Chronicle wouldn't let their readers see the comments of the Chronicle's regular weekly columnist. "The publisher has a right to refuse to run anything he

CHRONOLOGY

continued from previous page

be a co-sponsor of the bill: "Jeff said he told Newhall he wanted to read over the bill. Well, he didn't get a word in the Chronicle all through his campaign and they had supported him editorially and covered his other campaigns."

"So some of the guys just decided if it was that kind of operation, they didn't want any part of it."

● The Justice Department under Presidents Johnson and Nixon has stood firm against the bill. Congressional testimony by the Justice Department against the bill is cleared by the Budget Bureau, meaning the White House. It states the bill would further entrench "absolute monopoly," "flout the basic prin-

ciples of the free enterprise system" and impair the vital newspaper function of "acting as a watchdog on government."

Then Richard Berlin, president of the Hearst Corporation, sends two letters to Nixon and visits him in the White House. (See "Dear Mr. President," page 28.)

A few days later, the Department of Commerce endorses the bill. Washington observers recall no precedent for the Department of Commerce speaking for the White House on an antitrust matter.

On July 24th, Nixon signs the bill. One day later, the Bay Guardian files an antitrust action in San Francisco, attacking the constitutionality of the Newspaper Preservation Act. It charges, among other things, that the Examiner/Chronicle JOA has taken the lion's share of San Francisco's print advertising

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wants, and he doesn't have to give a reason," J. C. Kenney, a Newspaper Agency representative, told the office manager.

"Do you mean," the office manager asked, "he can arbitrarily do this, even though he publishes a monopoly newspaper?"

"We're not a monopoly," Kenney replied. "There are lots of places you can go to advertise. Why, you can go right across the street and put it in the Shopping News, which comes out two or three times a week. Or you can put it in the Chinese Weekly."

Market penetration of major city newspapers

This chart shows how the 27% market penetration rate¹ of the Examiner/Chronicle compares unfavorably with the penetration figures of several other metropolitan newspapers.

Ben Bagdikian, a UC Berkeley journalism professor and well-known media critic, compared the Chronicle's penetration figures to those of other similar-sized newspapers in a May 1982 story in *San Francisco* magazine.

He noted that the Chronicle sells "fewer papers per household than other papers its size" and "sells even fewer compared with papers up against much tougher competition than the Chronicle faces." In fact, as the chart shows, both the Chronicle and the Examiner sold fewer papers than did jointly operated

newspapers in the comparably sized markets of Miami and St. Louis.

(When one adds the Examiner's figures, Bagdikian's analysis applies even more strongly. Within their primary circulation area, the two papers, separately and combined, have produced no increases in market penetration since the merger. Instead, their total market penetration has been declining — see chart page 25).

In the end, these charts raise a fundamental question: Why are the Examiner and Chronicle doing so well financially when they're selling so few newspapers and their circulation and market penetration rates are declining?

The answer: Because of their ability to fix and manipulate rates with little relation to circulation and market penetration — and with no fear of competition or prosecution (see "The Crybaby Millionaire Lawbreakers Relief Act," page 29).

Newspaper	Daily Circulation	Market Penetration
Kansas City Star/Times	530,987	92.7%
Milwaukee Journal/Sentinel	489,763	78.7%
Honolulu Star-Bulletin/Advertiser*	195,837	62.7%
St. Louis Post-Dispatch/Globe-Democrat	497,495***	54.4%
Philadelphia Inquirer/News	828,236**	45.7%
Cincinnati Enquirer/Post*	327,110**	45.3%
San Jose Mercury/News	227,084	44.0%
Miami Herald/News	453,000**	30.0%
San Francisco Examiner/Chronicle*	687,317	27.0%

1. The 27% figure applies to the Ex/Chron ten county primary market area: San Francisco, Marin, San Mateo, Contra Costa, Alameda, Sonoma, Napa, Solano, Mendocino and Santa Clara counties. Each newspaper defines its own primary market area. The penetration rate is the percentage of households in the primary market area that buy the papers regularly.

2. All circulation and penetration figures are taken from American Newspaper Markets' *Circulation '83/84* unless noted with an *. Penetration rates were determined by dividing the paid circulation figure by the number of households within a paper's primary market area.

*Publishers' statement from March 31, 1984 Audit Bureau of Circulations figure.

**Papers with Joint Operating Agreements.

***These figures were for the period when the two papers were jointly operated. They have since re-separated.

revenue through its monopoly-inflated joint ad rate, thereby leaving only crumbs for the Bay Guardian and other print publications in San Francisco.

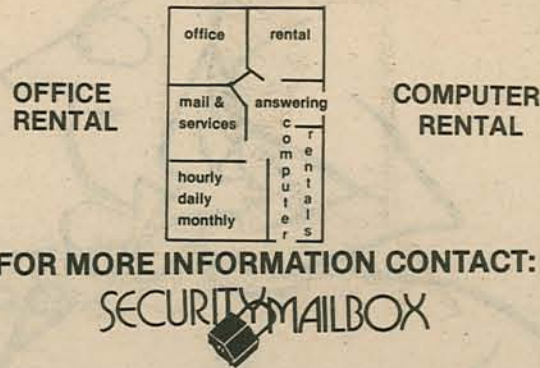
● In spring, the FCC holds KRON license renewal hearings in San Francisco. This is an unprecedented and highly significant event in the annals of American broadcasting. The FCC is seeking to determine issues that could help reverse the routine way the FCC has been renewing licenses. Among the issues considered: whether the Chronicle has abused its public trust by "managing" the news on KRON to further its business and cable TV interests; whether it has an undue concentration of control of Bay Area media; and whether it has engaged in monopolistic practices in the newspaper industry.

Steve Barnett, a UC Berkeley law professor, analyzes the hearing's coverage by the Examiner and Chronicle and finds it comes out as if directed by the Chronicle's family law firm: "The newspaper stories were designed to make the hearing as uninteresting and incomprehensible as possible... and as favorable as possible to Chronicle interests."

● In May, the Chronicle loses its appeal to prevent the issue of its use of private detectives from being a hearing issue. The FCC orders a resumption of the hearings on Sept. 15th, as anyone who can find and decipher the three-paragraph item on page 54 of the May 27th Chronicle knows.

Soon after passage of the Newspaper Preservation Act, the continued next page

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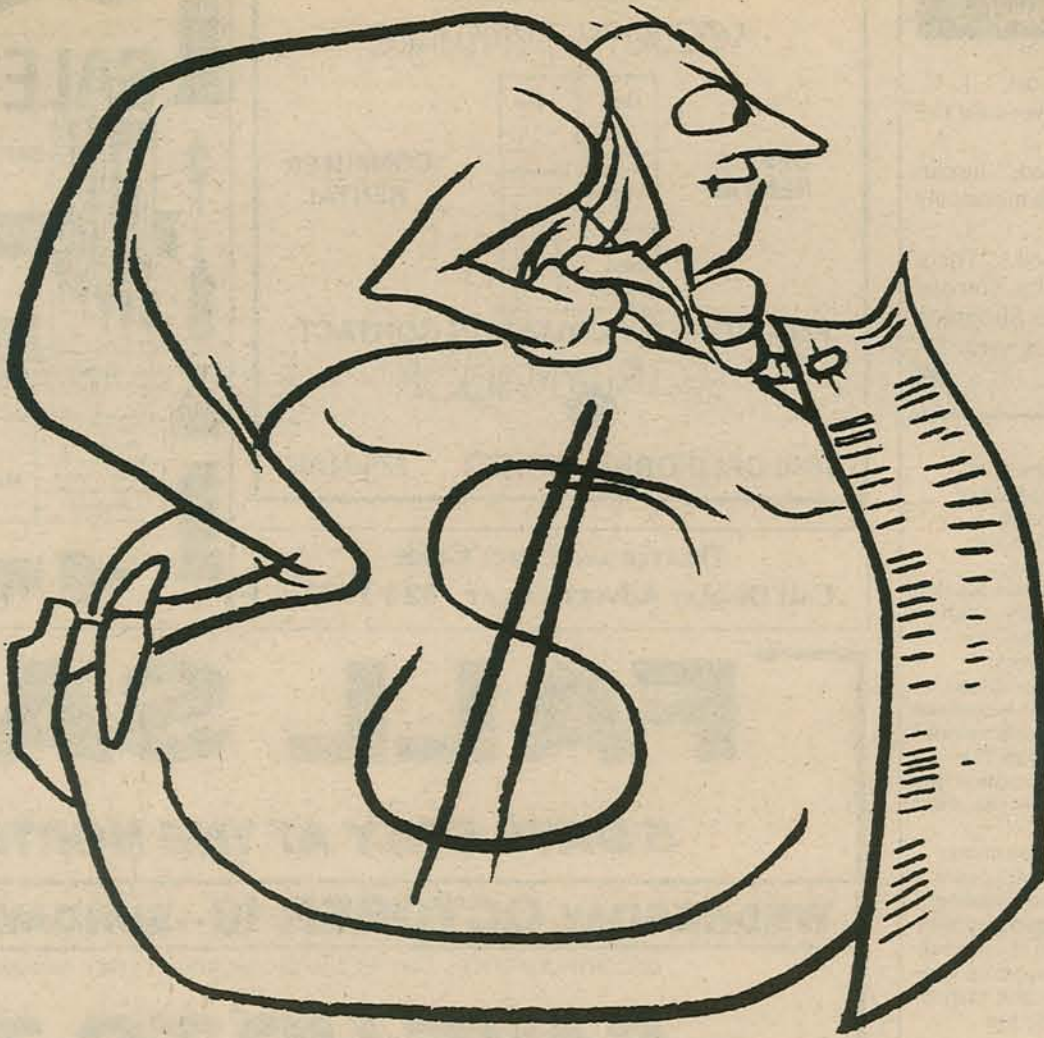
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GUARDIAN GRAPHIC BY ROBERT OSBORNE, 1967



'Dear Mr. President'

When the president of the Hearst Corporation needed to get President Richard Nixon to reverse his administration's opposition to the Newspaper Preservation Act, he threatened Nixon with the loss of editorial support. UC Berkeley journalism professor Ben Bagdikian discusses this extraordinary display of corporate power in his recent book, The Media Monopoly, excerpted below. (Reprinted with the permission of the author and Beacon Press.)

BY BEN BAGDIKIAN

Dear Mr. President," the letter began. Nothing extraordinary in a country where every day hundreds of citizens write to the president of the United States. But this was not an ordinary letter. The recipient on this July day in 1969 was President Richard M. Nixon. The writer was Richard E. Berlin. The name of Berlin and six other men whose cause he invoked meant nothing to the general public but they meant a great deal to Richard Nixon. And in the symbiotic equation of power, Richard Nixon meant a great deal to them.

Berlin was asking the president to use his influence to exempt him and his friends from a federal law that in previous years had sent other corporate executives to jail. That is why they needed the president. The reason President Nixon needed them was nearly as obvious.

Richard Berlin, as noted on his stationery, was president and chief executive officer of the Hearst Corporation in New York. The Hearst Corporation owned nine newspapers, ten broadcasting stations, twenty-six magazines and a book publishing house. Berlin spoke for his corporation and for six others, so his letter represented a massive complex of popular communications — dozens of newspapers, national magazines, cable systems, radio and television stations, book publishers and the country's second largest news service. These media produced news and information that helped create the country's perception of the world

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CHRONOLOGY

continued from previous page
Ex/Chron jacks up the ad rates significantly.

1975: After five years of pre-trial fighting, the Bay Guardian and plaintiffs in four treble damage suit actions settle their cases out of court.

● On Sept. 3, 1975, the Pacific Sun, Berkeley Barb and Cadillac Associates employment agency pick up the case and file an anti-trust action against the Examiner/Chronicle.

1975-79: Though much of the pre-trial work is done and the records available, Chronicle attorneys manage to delay a trial by stalling in producing documents. Some key documents, including the Gould letters (see 1960s), are produced

by Chronicle lawyers only near the end of the first trial.

In December, the suit finally comes to trial. Pacific Sun Attorney Art Shartsis proposes the court try three issues: (1) that both the Examiner and Chronicle could have survived and competed in San Francisco in 1965; (2) that the Examiner/Chronicle Joint Operating Agreement has led to illegal price-fixing of advertising rates; (3) that the 50-50 split of profits between the Examiner and Chronicle is illegal.

Federal Judge William Ingram rules the trial must be split into two parts. The Sun must first prove the first issue (whether the merger in 1965 was the only way to save both papers). Only if the Sun wins this first issue will the issues of price-fixing and profit-sharing be tried.

● At the trial, Richard Archer,

representing the Examiner/Chronicle, tries to portray the Examiner as a dying paper in 1965. Newspaper expert John Malone testifies for the Sun that the Examiner could have saved \$3.7 million in 1964 if it had built a modern plant. Further, the Sun argues, Hearst has siphoned off some \$35 million in profits from the Examiner since World War II, without reinvesting any of it in new facilities.

1980: The first Pacific Sun trial ends in a hung jury. Jurors split 3-3 over whether the Examiner in 1964 could have become "financially sound within a reasonable period of time." Post-verdict interviews with the jurors show they all believed the Examiner could have made a profit, but three believed the judge limited them to deciding whether the Ex-

aminer could have turned a profit quickly.

● In December, a new judge, U.S. District Judge Robert Aguilar, levies a fine of \$19,753 against the Chronicle lawyers for delays in producing the damaging Gould memos and other evidence, none of which had been produced during ten years of Guardian and Sun discovery proceedings.

1981: On March 17th, Aguilar issues a key order stopping the Sun from including in its arguments the amount and scale of Examiner/Chronicle profits under the JOA since 1965. The judge says he is concerned that the \$70 million the Ex/Chron has made between 1965 and 1976 may prove "inflammatory" to jurors.

● The Sun uses newspaper con-

sultant John Malone's studies to show San Francisco is a robust market able to support competing newspapers. Of the top ten newspaper markets, Malone says, only San Francisco does not have at least two competing newspapers.

The Sun uses the memos of former-Examiner Publisher Charles Gould to show that Gould believed the Examiner could successfully compete with the Chronicle and had time and again laid out plans to do so.

The Ex/Chron's new attorney, John Martel, brings Gould and former Examiner General Manager Wells Smith to the stand to discredit their pre-merger memos in which they wrote that the Examiner could effectively compete. (As Steve McNamara, the Pacific Sun publisher, writes in his column, "they fell on their swords for the

cause. They said they had been ignorant, foolish and — in Gould's phrase — 'panicked' when ... they wrote letters to Hearst headquarters painting a bright picture of the Examiner's future."

Martel, finding trouble discrediting Malone's testimony, seeks to discredit Malone personally in a nasty attack. In all, the Ex/Chron spend some \$600,000 in witness fees and studies. With the addition of attorneys' fees, this brings the Chronicle's trial expenses to \$2 million, according to Sun estimates.

● On June 12th, the Sun trial goes to the jury. A straw poll among the jurors finds them split, 3-3, just as in the first trial.

On June 15th, when the jurors return after the weekend and find themselves still deadlocked, they ask the judge to



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"A San Franciscan is not generally recognized as a gentleman until he has been maligned by Mike DeYoung in the *Chronicle* or the *Post*."—Arthur McEwen's Letter.

Did Chronicle founder Mike deYoung blackmail railroad magnate William Crocker? Did deYoung obtain his famous 1919 California Street mansion because Crocker feared what he knew? The rumours have persisted ever since deYoung moved into 1919 California in 1881.

In the diary he published in 1895, William Chambliss, a world traveller and critic of high society, writes that something strange surrounded deYoung's "acquisition of that California Street residence from a late railroad magnate, who was given to a strange infatua-

An 1895 cartoon in Chambliss's *Diary, Or, Society as it Really is* portrays the Chronicle brass as vultures. "Mike," the lead bird, is Chronicle co-founder M.H. deYoung; he's followed by his managing editor, city editor and gossip columnist. According to Chambliss, deYoung acquired 1919 California Street through blackmail (see accompanying story).

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tion for a certain grass widow who subsequently became his daughter-in-law."

Chambliss's cartoon, drawn by San Francisco artist Laura Foster, identifies the railroad magnate as Crocker and suggests blackmail by the flag over the Chronicle building entitled "White (?) mail."

In 1980, the rumor that deYoung blackmailed William Crocker is mentioned again, this time in *California Rich* by Stephen Birmingham.

Placed in the context of the Chronicle in the 1880s, it's easy to see how such rumors started. Mike and Charles deYoung founded the Dramatic Chronicle as a theater review sheet in 1865. Later, a disagreement with a thea-

ter owner led the deYongs to discover that gossip about the theaters, their patrons and their adjacent gambling dens sold papers faster than simple reviews.

By 1871, Charles deYoung had been sued twelve times for criminal libel. And in 1879, after an exchange of editorials and sermons with a San Francisco mayoral candidate (and later mayor), Rev. Isaac Smith Kalloch, Charles shot and wounded Kalloch outside his church. In retaliation, Kalloch's son shot and killed Charles in the Chronicle building in 1880.

And about a year later, Mike deYoung, now the sole publisher of the Chronicle, moved into his new mansion.

— Michael Hoad

The Crybaby Millionaire Lawbreakers Relief Act

How some of the nation's largest newspaper publishers pleaded poverty and got Congress to protect them forever from competition

BY TIM REDMOND

"Readers of the San Francisco newspapers are told about as much about the battle for control of their news media as readers of Russian newspapers are told about events in Czechoslovakia."

— UC Berkeley law Professor Steve Barnett in testimony before the Senate Subcommittee on Antitrust and Monopoly, 1969.

David J. Leonard, a respected corporate lawyer from Tucson, Arizona, appeared before the U.S. Senate Subcommittee on Antitrust and Monopoly in 1970, and, in the course of a few short minutes, referred to the publishers of two prominent Arizona newspapers as "pigs," "swine," "fat pigs" and "just the fattest pigs you could imagine."

The charges themselves might not have caused much of a stir. Even in the staid Senate, harsh words were not uncommon, and the hearings on the Newspaper Preservation Act had already been punctuated by several sharp exchanges. But Leonard's testimony had an unusual twist. The lawyer defended his characterizations as being not slurs, but clear, demonstrable fact.

Leonard presented for the permanent record a 24-year-old document prepared by the Arizona Daily Star, which in 1940 had merged its printing, advertising and business operations with the Tucson Daily Citizen.

The 'Pig Document'

The 15-page report, which became known as the "Pig Document," contained some highly self-

immolating material. Scattered throughout it were illustrations in which the two papers depicted themselves as happy, contented pigs who had grown tremendously fat by agreeing to halt competition and instead fix advertising prices, pool profits and control entry into the city's newspaper market.

The Daily Star had prepared the document in 1946 to support its claim for exemption from the World War II Excess Profits Tax. In making that argument, the paper included a startling statement. Profits at the Star had, indeed, jumped dramatically between 1941 and 1946, the document agreed. But the reason had nothing to do with the war.

"The Arizona Star," the document stated, "did substantially and actually acquire control and use of the assets of its competitor prior to May 31, 1941...and did eliminate all competition from the local field on that date. Net profits immediately increased as a direct result."

So when Leonard called the publishers "fat pigs," he was simply quoting the publisher's own description of themselves. "This document," Leonard testified, "is the most amazing document I have ever seen...These fat pigs knew what they were, and they knew what they were right after the war, and they knew what they were during the war, and they knew what they were when the entered into this agreement."

Little news coverage

The act in question at the Senate subcommittee hearings ranks as one of the worst-covered news events in the history of the United States. Unlike many pieces of legislation debated in the halls of Congress, the Newspaper Preservation Act was destined to have a powerful direct impact on the day-to-day lives of millions of Americans. Proposed by the heads of some half-dozen powerful newspaper chains — notably

Hearst, Scripps-Howard, Gannett, Copley, Newhouse and Knight — the bill exempted the newspaper industry from key parts of federal antitrust law. It allowed newspapers competing in a city to legally establish a monopoly operation and, as the Tucson papers did, fix advertising prices and circulation levels, pool profits and control entry into the marketplace — all with no fear of legal reprisals.

A copy of the Pig Document was entered into the subcommittee record, and a cartoon from it appeared in the next day's Washington Post. But the newspaper readers in Tucson were not told about the document, nor about the rest of Leonard's testimony. Nor were daily newspaper readers in San Francisco informed. As Morton Mintz, who covered the hearings for the Washington Post, and Jerry S. Cohen, who was staff director and chief counsel of the Senate antitrust subcommittee, later wrote in their book *America, Inc.*, the vast majority of the nation's news media ignored or played down not only the Pig Document but virtually every other significant news development to come out of the hearings. Instead, according to Mintz and Cohen, the media wrote "reams of copy...on the self-serving statements of publishers and editors."

An intense investigation

The newspaper publishers' request for antitrust relief spurred Congress to conduct the most intensive investigation and solicit the most extensive testimony ever produced on the increasing concentration of the newspaper industry in America. The results were — and are — fascinating. The testimony raised some of the most profound public policy questions to come before the federal legislators in decades.

But most of the people interested in the hearings had to read about them months later, in the form of government documents — lengthy, single-spaced transcripts

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re-read one of his instructions to the jury. The instruction they wish re-read tells them the Examiner and Chronicle must have exhausted "all reasonable means" to make profits before they could enter a Joint Operating Agreement. This instruction favors the Sun, but Aguilar also rereads five other instructions that favor the Examiner/Chronicle. A key one says the Examiner did not have to try to modernize its plant before entering the JOA.

Less than half-an-hour after the judge rereads the instructions, the jurors find unanimously for the Chronicle. The judge rules that the Examiner and Chronicle were entitled to the antitrust exemption in 1965.

● McNamara says in his Sun column, "It's too bad that the dailies missed this opportunity

to take a bracing plunge into the free enterprise system. It's amazing to see how the people who preach the joys of competition on their editorial pages are the first to run for monopoly profits when faced with awkward challenges of having to compete."

He also writes that "Chronicle readers will go to their graves not knowing what the fuss was all about. The Chron's coverage, right up to the end, made it sound as though the Sun was challenging the dailies' right to use the same printing plant and type-setting equipment. We weren't. We were challenging their right to violate the Sherman Anti-Trust Act by jointly fixing prices and splitting profits. This distasteful subject was genteely ignored."

● Soon after the JOA clears its

last major antitrust hurdle by winning the Pacific Sun case, it jacks up the ad rates significantly and keeps them climbing in an upward trajectory that has little relation to the declining circulation and market penetration of the Examiner/Chronicle combine (see circulation and market penetration charts).

1984: Mayor Dianne Feinstein appoints Joseph Barletta, president of the San Francisco Newspaper Agency, to be a member of the powerful San Francisco Public Utilities Commission. (Barletta has contributed \$1,000 to Feinstein's 1983 campaign, as well as almost \$1,000 to Sup. John Molinari's current reelection campaign.)

Barletta's acceptance of a ma-

ior City Hall appointment, without public dissent from either paper, seriously erodes whatever claims the Examiner/Chronicle have to be serious "watchdogs" over government at City Hall.

Among other things, his appointment helps institutionalize the Examiner/Chronicle's virtual blackout of the \$44-million-per-year PG&E/City Hall/Raker Act scandal. It fittingly symbolizes the Ex/Chron/JOA commitment to the ongoing Manhattanization of the city.

1965-84: What, after all, were the Examiner and Chronicle fighting for so ferociously during all these years? Monopoly profits in perpetuity.

What would have happened if they had lost somewhere along

the line? They would have had to do what the other businesses in the city do: compete.

But, unlike any other San Francisco business, under the JOA they have had for almost 20 years a government-sanctioned monopoly, operating without regulation, piling up huge annual profits. They amount to \$75 million in ten years, more than \$150 million by 1984, enough for the Chronicle to buy TV stations in Omaha and Wichita and a \$50 million newspaper in Illinois. Even if they had been failing newspapers in 1965, the papers have since become monopolies by operating in one of the biggest markets in the country with no daily competition. Why are they still so afraid of competing even today?

The JOA keeps taking more and more out of the city and the

Bay Area — and putting less and less back in. The papers get no better editorially, except for a burst now and then in the Examiner. They have both been abandoning San Francisco for the suburbs — and the substantial declines in circulation and market penetration prove it. And they are seriously shortchanging advertisers, as rates go ever skyward with no relation to declining circulation and market penetration.

As detailed in this issue, the economic and institutional dynamics of a San Francisco Joint Operating Agreement controlled by the deYoung and Hearst heirs have serious adverse effects on readers, on advertisers, on journalism, on the community and on public policy.

— Bruce B. Bruggmann and Michael Hoad

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of the House and Senate subcommittee hearings. With very few exceptions, the newspaper industry either ignored the hearings or limited its coverage to the most trivial details. This was most pronounced in cities where the papers operated under the monopoly mergers known as Joint Operating Agreements.

Among the major national stories ignored or downplayed by the media were:

- Documented testimony from witness after witness refuted the publisher's key argument — that without the antitrust exemption, the second newspaper in dozens of cities with two dailies would be threatened with extinction, whereas the JOA merger arrangements "preserved a diversity of voices."

Steve Barnett was one of those witnesses. Barnett, a law professor at UC Berkeley, produced the results of his study, which had found no conclusive evidence of a trend toward two-paper towns becoming one-paper towns. Most cities, he maintained, did not appear able to support four or even three papers, and many such dailies were indeed folding. But, Barnett stated, the evidence that two competing papers couldn't survive in most markets was inconclusive at best.

A parade of witnesses also testified that JOA papers did *not* ensure a "diversity of voices." Papers with profit-pooling arrangements almost invariably ignored major stories that might reflect badly on their business partners, according to these witnesses. Further, because they lacked economic competition, most JOA papers had little incentive to put money into improving their editorial services, the witnesses declared. For details, see Chronology, page 7.

In addition, many of those testifying declared that in JOA cities (such as San Francisco and Tucson), the monopoly arrangements made it almost impossible for alternative papers to get a foothold in the market, thus further restricting the "diversity of voices."

- Despite the fact that much of the publishers' case for the antitrust exemption rested on a plea of poverty, none of them were willing to show their profit and loss figures. When the House antitrust subcommittee finally demanded the information, the publishers agreed to do so only if it would be permanently sequestered — shown to the committee members but to no one else. During the testimony and debate on the House and Senate floors, several opponents of the bill lamented this fact. The National Journal quoted Rep. Abner Mikva of Illinois as saying the information "shows more black figures than red ones."

- There was an unmistakable pattern among the sponsors of the bill: Virtually every one was from a community with a powerful JOA paper. The National Journal reported intensive lobbying, including direct threats by publishers that opponents of the bill would receive adverse coverage of their future electoral campaigns.

- Throughout the hearings, dozens of little secrets of the publishing industry were revealed — the sort of stuff that, like the Pig Document, would have been reported in every major paper in the country if the industry in question had been anything other than newspaper publishing. It was, for example, disclosed during the hearings that powerful newspapers routinely buy up exclusive rights to syndicated features they never intend to use but wish to prevent other local papers from printing.

In short, the Newspaper Preservation Act — which Leonard called the "Pardon for the Pigs" bill, and Bay Guardian Publisher Bruce B. Brugmann dubbed "The Crybaby Millionaire Lawbreakers' Relief Act" — passed overwhelmingly in 1970 with little informed public debate. And it did so after a barrage of questionable lobbying tactics had led senators, representatives and even the president to ignore the U.S. Supreme Court, their own staffs' advice, their common sense and political principles and a metric ton of undisputed evidence to grant a few rich, powerful newspaper publishers an unprecedented exemption from the antitrust laws of the United States.

A capsule history

The history of the Failing Newspaper Act and the rapid increase in Joint Operating Agreements is laid out in great detail in the Chronology beginning on page 7.

continued next page

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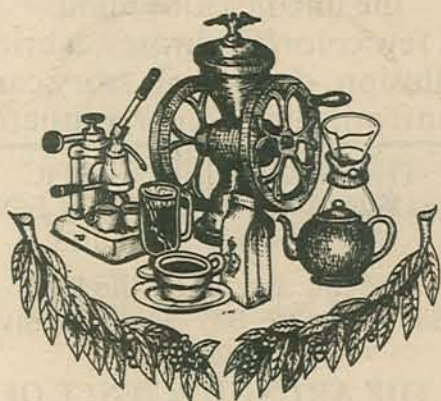
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continued from previous page

Here's a capsule summary of the tale:

The Joint Operating Agreement story began back in 1932, when the Albuquerque (New Mexico) Tribune, a Scripps-Howard paper, and the Albuquerque Journal, owned by Thomas M. Pepperday, decided after only two years of declining ad revenues to cease competition and combine publishing operations. Under the contract they signed in 1933, a new corporation, the Albuquerque Publishing Company, took control of the printing, advertising and business functions of both papers. Ownership of the new operation was split equally between the two papers. Both publishers asserted that their news and editorial operations would remain entirely separate and would continue to compete as they had in the past.

But the key feature of the agreement was never made public. The two papers had agreed to fix circulation and advertising rates and to divide all profits down the middle.

The Newspaper Preservation Act granted blanket immunity from antitrust action to all 22 existing JOAs and allowed for future agreements whenever the newspapers involved could obtain Justice Department approval.

Each of those practices, the courts would later confirm, amounted to a per se violation of federal antitrust laws.

Immensely profitable

However, the JOA quickly became immensely profitable, and soon other papers got into the act. Before long, there were newspaper monopolies in 20 major American cities, and publishers such as Hearst and Gannett were able to raise advertising rates to unprecedented levels (see charts, pages 25 and 27) and their advertisers, captives of the closed market, had no alternative but to pay.

The merger agreements were worth countless millions, and the attorney generals under Roosevelt, Eisenhower and Kennedy allowed them to continue unopposed. However, in 1964, the Justice Department suddenly decided to stop looking the other way.

The first civil antitrust suit against a JOA was filed in 1965. It challenged the legality of the Tucson arrangement described in the Pig Document. In April of that year, a federal district judge in Arizona ruled the Tucson arrangement illegal and required the two papers to submit a plan for divestiture.

The Tucson papers appealed, but the decision sent shock waves through the industry. If the Tucson decision held up, it was clear that every JOA in the nation would be in jeopardy. The monopoly papers and their owners stood to lose incalculable sums of money in the years to come if they were forced to disband the lucrative arrangements.

Planning an Ex/Chron merger

In San Francisco, the Tucson decision came down just as Charles deYoung Thieriot, publisher of the family-owned Chronicle, and Randolph A. Hearst, publisher of the Hearst-owned Examiner, were finalizing a JOA merger of their own. Randolph Hearst had first proposed the deal in 1962, over lunch with Thieriot at the Pacific Union Club. Thieriot was receptive, but he made it clear that he would not accept any merger unless the deal was given prior approval by the Justice Department.

Attorneys for the papers wrote to Attorney General Nicholas Katzenbach, informing him of the proposed plan and asking for clearance. As Assistant Attorney General Donald F. Turner later testified, the Justice Department never specifically granted "clearance" for the merger. However, the department did say that, in light of the pending action in Tucson, it would not institute antitrust action against the Examiner-Chronicle JOA "at this time."

That was good enough for Thieriot, who later testi-

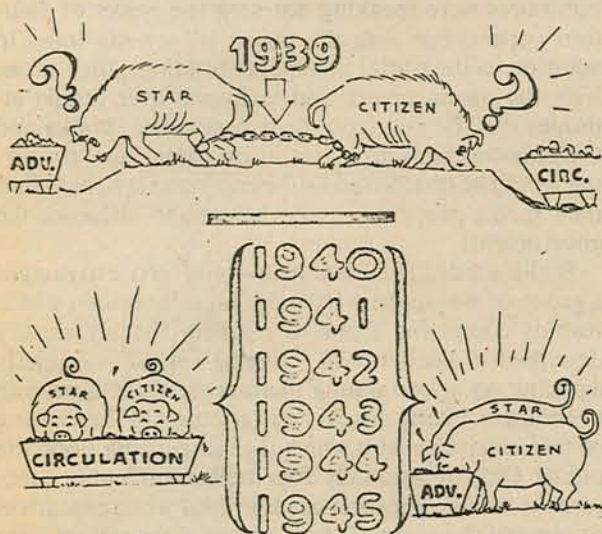
fied that the statement, in fact, was a "clearance letter." On Sept. 13, 1965, the first JOA-produced papers began to roll off the presses, the Chronicle in the morning and the Examiner in the evening.

Legislative help sought

Thus the Tucson decision did not put an end to new JOAs, and in 1966, the Miami Herald and the Miami News became the 22nd such arrangement in the country. But the JOA publishers realized they couldn't rely on the courts to uphold the legality of their anti-competitive practices. In fact, as Barnett testified in Senate hearings held in 1969, "Any antitrust lawyer would have advised them in 1965 that the government had an excellent chance of winning the Tucson case."

Clearly, a new strategy was needed to protect existing and future JOAs from antitrust actions by either the government or private parties.

By this time, a group of small merchants in Tucson



In this 1946 cartoon, the Arizona Daily Star portrays itself and its business partner, the Tucson Daily Citizen, as a pair of pigs. After many lean years of struggling to compete for advertising and circulation, the two merged in 1940. After the merger, the cartoon shows them living happily off the fat of the land, pooling their advertising and circulation revenues and reaping huge profits. The cartoon was part of the Star's effort to avoid a wartime excess profits tax.

had filed suit against the newspaper merger, claiming the monopoly-inflated ad rates effectively priced them out of the local advertising market.

In 1967, at the request of the publishers of the Arizona Daily Star and the Tucson Daily Citizen, Senator Carl Hayden of Arizona introduced S. 1312, which was dubbed the "failing newspaper" act. A similar bill appeared in the House. Both bills had long lists of co-sponsors, mostly legislators representing cities or states in which powerful newspapers were involved in a JOA.

The act languished in both houses for the next two years. The Senate Subcommittee on Antitrust and Monopoly and the House Antitrust Subcommittee held extensive hearings in 1967 and 1968, but the measures died in the face of opposition from both the Johnson and Nixon administrations.

New urgency, more pressure

In 1969, however, the JOA publishers ran out of time. On March 10th, the U.S. Supreme Court voted 7-1 to uphold the Tucson decision, affirming District Judge James Walsh's order that the two papers must begin making divestiture plans.

There was an immediate increase in pressure on legislators to pass a bill granting relief to JOA publishers. Two new bills — S. 1520 and H.R. 279 — appeared. This time the measure was dubbed the "Newspaper Preservation Act." The Senate version has 33 co-sponsors, the House version 108. In both cases, nearly all the co-sponsoring legislators had a JOA publisher back home. The National Journal reported that many of the sponsors had been asked by a hometown publisher to support the bill.

At the time the measure came to the House floor, there were 119 members representing districts in which JOA papers made important editorial endorsements. All but 14 of them voted on the bill, and 89 of the 105 came out in favor. The story in the Senate was almost the same. Of the 38 senators representing states with JOAs, only two voted against the bill.

According to *America, Inc.*, several senators acknowledged privately that powerful publishers had told them that if they didn't support the bill, the newspapers would never again endorse them for reelection.

18TH ANNIVERSARY SPECIAL UP AGAINST THE MEDIA MONOPOLY

DEAR MR. PRESIDENT

continued from page 28

in general and of Richard Nixon in particular.

No politician likes to lose the sympathy of even a single newspaper or radio station. For a national leader to lose the support of a major portion of all American media can be a political disaster. Richard Nixon needed no education on the subject, but Berlin was not famous for subtlety. In the unlikely event that the president missed the point, Berlin took pains to hint that if Nixon did not come across with the favor Berlin requested, the media chiefs would remember this when Nixon ran for reelection in 1972.

The Hearst executive and his fellow publishers were not conducting a novel experiment. By the nature of their positions they were all familiar with power: Many corporations lobby for favorable government treatment, but only media corporations control access to the American mind. The more media power possessed by a media corporation, the more a government leader has reason to feel its displeasure.

Few media corporations deny that they have power. They usually assert that they would never use their power for selfish purposes. But no corporation, media or otherwise, will fail to use its power if it feels a threat to its future or to its profits. The threat could be a national political movement it dislikes, as the New Deal seemed to most newspaper publishers during the Great Depression. Or it could be a threat to profits that makes them urge creation of loopholes in the law, like the Newspaper Preservation Act.

Whatever the provocation, when a media corporation executive approaches a politician for a favor or to deliver a threat, there is no doubt in the mind of either party what is at stake.

Lionel Van Deerlin, an ex-journalist, is former chairman of the House Subcommittee on Communications.

continued next page

tion. "Many congressmen," authors Mintz and Cohen wrote, "did not need to have it spelled out for them that to oppose the publishers could mean being blacked out or otherwise vengefully treated by media with pervasive newspaper and, often, television and radio holdings."

Blanket antitrust immunity

Nixon's own Justice Department had urged him to veto the bill. However, the backers of the measure had other ideas. Richard Berlin, the president of the Hearst Corporation, personally wrote to and later visited Nixon to make it quite clear that the largest and most influential media chains in the nation were expecting him to sign the measure (see "Dear Mr. President," Ben Bagdikian's account of Berlin's lobbying effort, page 28). Nixon acquiesced.

In its final version, the Newspaper Preservation Act granted blanket immunity from antitrust action to all 22 existing JOAs and allowed for future agreements whenever the newspapers involved could obtain Justice Department approval. Since then, new JOAs have been approved in Cincinnati, Chattanooga and Seattle. Not one application to form a JOA has been turned down.

In the Seattle case, the Justice Department had decided against the proposed merger of the Hearst-owned Post-Intelligencer and the Seattle Times, owned by the Blethen family, on the grounds that Hearst had not demonstrated that the P-I could not be saved with a further cash inflow. The department noted that at the same time as the paper was applying for the JOA, Hearst had bought a chain of 28 new papers in suburban Los Angeles.

Attorney general overrules department

However, in June 1982, Attorney General William French Smith overruled the department and approved the merger, in what *The New York Times* called "a test of how the law might be interpreted in the future."

Now, there are 23 cities with JOAs and 28 major cities in which daily newspaper competition remains. And on June 20, 1982, *The New York Times* reported that in the wake of the Smith decision, newspapers in several cities, including Buffalo, Trenton, New Jersey and even New York City had begun to consider JOAs.

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continued from previous page

He says that every member of Congress is familiar with the special power of broadcasters and publishers. Van Deerlin describes it simply: "They can make or break you."

It is not every American business person who easily makes appointments with the president of the United States or, like Richard Berlin, is certain to have his or her letters read and acted upon by the president. Berlin's letter created serious change within the Nixon administration even though the favor Berlin asked affected only one Hearst newspaper, the San Francisco Examiner. The other publishers whose names he invoked were not much more involved. Cox had only one paper affected, Knight had only one, Worrell one, Block one, Newhouse two, and Scripps-Howard seven (and though Berlin mentioned all of these there is nothing to indicate that the others participated in his letter to the president, though those he mentioned were pressing for the change Berlin pursued). But Berlin and his fellow publishers were speaking not with the power of fourteen papers, but with the power of seventy-four. In addition to their total newspaper holdings, they spoke with the media power and influence over public attitudes that flowed from their magazines, books and broadcasting stations. Most of the publishers' properties would be unaffected by the requested law, but all of their media properties could be used to influence the government.

Berlin wanted President Nixon's influence to exempt a group of newspapers from antimonopoly law, which forbids competing firms to perform the act usually described in headlines as "rigging prices" — quietly agreeing on prices among themselves while appearing to compete. Fixing prices is also contrary to the rhetoric of free enterprise with which the same media flood the public. Only occasionally does unpleasant reality puncture the surface appearance, as in 1961 when executives of some of the country's best-known corporations were jailed for conspiring to fix the prices of electrical equipment. Now a few newspapers had somewhat the same problem.

In twenty-two cities of the country, ostensibly competing local papers had, over the years, agreed to become business partners, fixing prices and sharing profits while maintaining separate newsrooms. In 1965 a U.S. district court found this a violation of the anti-trust law. The newspapers appealed that decision and began lobbying for special exemption from the law for any competitive newspaper that felt it might be failing financially. The effort was rejected by Lyndon Johnson's Democratic and Richard Nixon's Republican administrations in 1967, 1968, and the summer of 1969, on the grounds that it was harmful social policy. If newspaper companies were permitted to ignore anti-trust laws, other kinds of firms would demand the same exemption.

In 1969, the United States Supreme Court upheld the finding that the forty-four papers were in violation of the law. The publishers felt an impending crisis. Faced with the terrifying prospect of competing in the open market, they became desperate. Richard Berlin, speaking for the most powerful operators, became a crucial operative.

Berlin shrewdly sent two letters. The one to the president was partly Uriah Heep proclaiming loyalty before the majesty of the president. The letter ends with a conventionally typed "Sincerely." But Berlin, who presumably had no hesitation in asking secretaries to retype letters to the president of the United States, used his pen to scratch out the "Sincerely" and in a heavy hand wrote in large letters, "Faithfully, Dick."

Even in the Nixon letter, Berlin permitted the scent of power to escape.

...I am taking the liberty of addressing myself to the matter of common interest to both you and me...Many other important publishers and friends of your administration (including Scripps-Howard who are involved in seven of these arrangements) are similarly situated. All of us look to you for assistance.

But at the same time Berlin wrote a different kind of letter to Nixon's assistant attorney general in charge of antitrust, Richard W. McLaren. There was no Uriah Heep in the McLaren letter. It was a tough demand with a clear threat:

Those of us who strongly supported the present administration in the last election are the ones most seriously concerned and endangered by failure to adopt the Newspaper Preservation Act...the fact remains that there was almost unanimous support of the Administration by

the newspapers who are proponents of the Newspaper Preservation Act. It therefore seems to me that those newspapers should, at the very least, receive a most friendly consideration.

Berlin again made certain that his threat to Nixon and the Republican party could not be misunderstood:

Those of us...now find that, by supporting that person and that party which we thought best exemplified those very ideals, we have become the victims and the targets of a narrow and tortured economic concept advanced and implemented by those in whom we placed the highest confidence.

Berlin sent a copy of this letter to President Nixon.

The "narrow and tortured economic concept" was the Sherman Act, a law in effect since 1890, which simply codified the supposedly sacred catechism of capitalism that is endlessly enunciated by most newspapers, magazines, broadcasters, and movie studios — that competition is the life of trade and that free enterprise requires the marketplace to decide who shall survive.

There followed a strange minuet by the Nixon Administration.

In June, before the Berlin letters, Assistant Attorney General McLaren, speaking for the administration, testified against the publishers' bill. The chairman of the committee handling the bill, the late Senator Philip A. Hart of Michigan, responded:

I want to congratulate you and the Nixon Administration for the position you have taken...I know it would be easier for all of us in public office to grant newspapers special favors because they deal with us intimately every day.

But Senator Hart's congratulations were premature. Several weeks later, after the Berlin letters, the Nixon administration reversed itself and announced that it was now in favor of the bill. The publishers obtained their Newspaper Preservation Act and President Nixon was given his political reward, the support of the large media organizations.

In his letter to the president, Berlin had referred to "many important publishers" who wanted the bill. He meant seven chains, a few of whose dailies were in quiet business partnership with their local competitors. The chains owned only fourteen of the forty-four newspapers involved in the Newspaper Preservation Act. But it did not take an angel from heaven to inform Richard Nixon that when the Hearst executive issued a threat he was not speaking merely with the power of the one Hearst paper needing the favor. Nixon knew he was dealing with seven chains that owned seventy-four daily newspapers with forty million circulation — at least eighty million readers — in twenty six states, including the major states without whose electoral votes no presidential candidate can win an election. When Berlin raised the issue of political support for Richard Nixon he was talking about papers read by more people than would vote in the next election.

These same corporations had additional ways to influence the public. Hearst was a major owner of magazines, broadcasting stations, and book publishing. Scripps-Howard owned sixteen newspapers, and its parent corporation operated broadcasting stations, United Press International, and United Features, a leading syndicator of feature and political commentary. Cox, in addition to owning a major chain of newspapers, was in book publishing and film distribution.

Some newspapers were opposed to the special exemption, frightened — justifiably, as events proved — that it would permit controlled prices that would make life difficult for independent competitors. But forty million combined circulation and other media power is more politically persuasive than the 35,000 circulation of the average single daily paper.

The performance of American daily papers in the 1972 presidential election was bizarre. For four years the Nixon administration had attacked not only the news media but their constitutional rights. Nixon had sent his vice-president on a crusade attacking newspapers that criticized the White House or ran news of negative events that were normal fare in ordinary reportage. In the Pentagon Papers case the Nixon administration obtained the first court-ordered cessation of publication in the country's history. In the summer of 1972, months before the election, the first Watergate stories began to disclose the profound corruption permeating the White House. But in early October, directors of the American Newspaper Publishers Association were reported "chary of taking any action that implied criticism of the President's policies." At a time

18TH ANNIVERSARY SPECIAL

UP AGAINST THE MEDIA MONOPOLY

when the first Watergate stories should have been of greatest value to voters, the response outside a minority of papers was strange. A study of major papers around the country — dailies with a quarter of all national circulation, including papers in the Hearst, Scripps-Howard, and Cox chains — showed that in the months before the election "pro-Nixon papers had a much higher tendency to suppress damaging Watergate stories than papers making no endorsements." These included the papers who had obtained their antitrust favor from Nixon.

In 1972, Richard Nixon received the highest percentage of newspaper endorsements of any candidate in modern times.

Prominent in this massive support of the man who most threatened their journalistic freedom were chains whose names Berlin invoked in his letters. In the previous three presidential elections — contrary to Berlin's assertion that there was "almost unanimous support of the Administration" — a third of all Hearst papers had endorsed the Democratic candidate, as had a third of the Cox papers and half of the Scripps-Howard papers. In 1972, after passage of the Newspaper Preservation Act, every Hearst Paper, every Cox paper, and every Scripps-Howard paper endorsed Nixon. Scripps-Howard ordered a standard pro-Nixon editorial into all its dailies. Cox ordered all its editors to endorse Nixon (causing one editor to resign in protest).

It is likely that Nixon might have won the 1972 election without this wholesale shift to his support and the sympathetic reluctance to print Watergate disclosures before the election. But it was not long after the election, when Watergate stories finally broke through the barriers of publishers' protection, that the president's power began to crumble. Studies throughout the years have shown that any bias in the news tends to follow a paper's editorial opinions.

Without the chains whose local papers benefited from the White House reversal on the Newspaper Preservation Act, Richard Nixon would have had, with the exception of Barry Goldwater in 1964, the lowest newspaper support of any Republican candidate since World War II. Instead, he had the highest newspaper support of any candidate in U.S. history. Without this massive support from the press, much of it implicitly sealed in 1969 by the mutual exchange of favors, Richard Nixon and his aides might have been less confident in their illegal activities.

The rhetoric of media corporations is consistent: They do not interfere with the professional selection of content for their newspapers, magazines, broadcast stations, book houses, and movie studios. This book [*The Media Monopoly*] shows that this is technically true for most operators in day-to-day, hour-by-hour operations, but it is not true for larger issues in which the media corporations have a strong self-interest. In the case of the Newspaper Preservation Act, three media operators, with a stroke of a pen, ordered their professionals to endorse for president a man who had previously attacked their constitutional freedoms but who had recently granted them a corporate favor. And because of the high degree of concentrated control over the mass media, the seven chains that benefited from Richard Nixon's change of mind owned papers read by most of the voters.

Protection of independence in the gathering and disseminating of news and other public information depends on something more than rhetorical declarations of freedom of expression.

Richard Nixon's depredations on freedom of the press were the gravest since the Alien and Sedition Acts of 1798. Ten years after his departure from office in disgrace, the momentum he initiated has become a continuing crisis. But the dominant newspaper publishers were willing to support the suppressor of freedoms of the press in return for a corporate favor. Nixon's favor was not crucial in the life of the three corporations that ordered their papers to endorse Nixon. Their nine local newspapers were saved not from extinction but merely from competition. The Hearst, Cox and Scripps-Howard chains had sixty-five other, unaffected newspapers plus a large body of profitable properties in other media. Yet in exchange for so small a prize they were willing to order all their papers — not just the nine — to support a corrupt administration hostile to an independent press. It is not reassuring to consider what might happen to the integrity of national news if dominant media corporations felt their basic power threatened. ■

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